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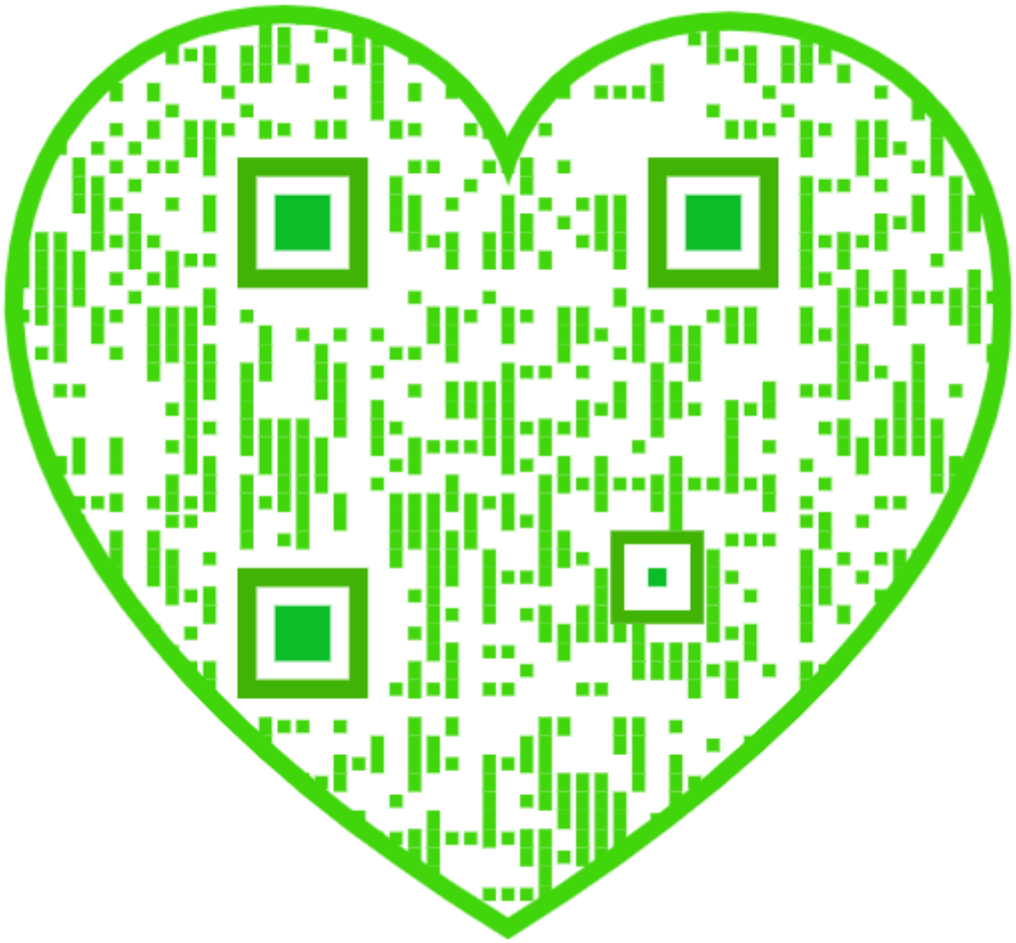
Practice Problems in Economics

GEORGE E. PUTNAM



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Practice Problems in Economics

for the use of

Elementary Students

By

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PREFACE

The author's object in preparing this collection of problems was to give to elementary students, in advance of the class-room exercises, an opportunity to develop and apply independently the fundamental principles in economics. In some cases the problems have been drawn from required readings in standard text-books and for these it is recommended that the student be held strictly accountable. In the majority of cases, however, the problems are nothing more than simple suggestions designed to clarify text-book readings and above all to stimulate independent thinking.

It is hoped that the collection will serve not only as a valuable guide for elementary classes but also as a means of enabling the student to reconcile the facts of every-day economic activity with the theories which attempt to explain them.

GEORGE E. PUTNAM.

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A. INTRODUCTION

I. The Nature of Economic Science
II. A Survey of the Economic System

I. The Nature of Economic Science

1. Economics, or political economy, has been called "a bread and butter science." What has economics to do with (a) bread and butter? (b) economy? (c) politics?

2. With what primarily is the study of economics concerned? Does it teach one how to get rich? Is man or goods the more prominent thing in economic study?

3. Is man essentially economic? Which are more likely to govern the average man's conduct, economic or religious considerations?

4. Suppose you were offered $25,000 a year for spending the next twenty-five years in Siberia doing nothing. What considerations would cause you to accept or reject the offer?

5. Try to estimate the amount of time per day devoted by a business man to each of the following: making money; training his children; recreation; going to church; visiting his wife's relatives.

6. Which of the following are economic phenomena: going to war; robbing a bank; playing football; getting a divorce; teaching? Why or why not in each instance?

7. In order to have a science there must be a group of phenomena, of a definite nature, capable of observation, and controlled by natural law. Is economics a science? What is the difference between a science and an art? Was economics ever an art?

8. Mention five natural laws controlling the phenomena of physics or chemistry. Do you know of any economic laws? Are the laws of economics natural or social laws? What is the difference? Are economic laws exact in their operation?

9. If you saw a $5 gold piece lying at your feet would you pick it up?

10. What relation exists between economics and other sciences?

11. Could you form a satisfactory judgment upon the causes of the general European war without having a knowledge of economic conditions in Europe?

II. A Survey of the Economic System

1. The Evolution of Economic Society
2. Certain Characteristics of the Present Economic System

1. The Evolution of Ecomonic Society

1. Why are the means of getting a livelihood continually changing? Trace the economic stages through which man has passed.

2. Although no interior point in England is farther than seventy-five miles from salt water, there are many Englishmen who in the course of their lives never see the sea-shore. How would you explain this immobility on the part of certain classes of Englishmen? Do you suppose the early inhabitants of England led equally sedentary lives? Why?

3. In what stage of man's economic development did slavery originate? Why?

4. Why did slavery flourish at one time in the southern states? Why did it fail to secure a permanent footing in Massachusetts? Were the standards in Massachusetts too rigid?

5. What were the chief causes of the Mexican War—called in Mexico the War of the Aggression?

6. Did the North American Indians have any form of private property or were all things held in common? Did they have private property in land? Why? In what stage of man's economic development did the institution of private property in land originate?

7. What was the manorial system? Why did it break down?

8. Are any industries to-day in the handicraft stage? In what stage of economic development were the early Kansas pioneers?

9. At one time the laborer worked in his employer's home, moved on terms of equality with members of the family, and could look forward to marrying his employer's daughter. Is it customary nowadays for a laborer to marry his employer's daughter? Why?

10. Americans have always boasted of their democratic spirit and democratic institutions. What forces in this country have made for democracy?

11. If Americans are truly democratic, why is it that "everywhere east of Chicago a stranger gets the cold shoulder"? What do you mean by demoratic?

12. Social standards vary. In Boston a stranger is asked, "What do you know"? in New York, "How much money have you"? in the South, "Who was your father"? in Kansas, "What can you do?" Why should social standards over the United States be so divergent in character? Which of the above standards is most democratic? Is it likely to endure?

13. What was the Industrial Revolution? What effect has it had on (a) the size of industrial plants? (b) the relation between employer and employee? (c) the economic status of women? (d) the growth of cities?

14. Is economic progress desirable? In which city would you rather live, Lawrence, Kansas or Lawrence, Massachusetts? How do they differ essentially? Which is in the more advanced economic stage? Is there a transitional stage?

2. Certain Characteristics of the Present Economic System

(*a*) *Private Property*
(*b*) *Freedom*
(*c*) *Competition*
(*d*) *Cooperation*

1. What is the difference between property and possession?

2. "Property rights grew out of adverse possession through time." Explain this statement.

3. If the institution of private property in land, buildings, machinery, etc., had never developed, would there be universities? grocery stores? saving? individual initiative? new inventions?

4. Why should wagon roads be public property and railroads private property?

5. Should property rights extend beyond one's lifetime? Should a son be allowed to inherit $1,000,000 from his father? Why?

6. Do you see any injustice in our present economic system when "it allows one individual to be born with a silver spoon in his mouth, and another with a wheelbarrow in his hands"?

7. If property rights were seriously curtailed, would we make as much progress? It is possible to make too rapid progress?

8. Is everyone free to engage in business? to sell whisky in Kansas? to establish a cooperative book store in the basement of Fraser Hall? to write editorials in the Kansan? to run a jitney bus? Why?

9. Is freedom in business increasing or decreasing?

10. Cite cases where the state has interfered to curtail the freedom of business men in making contracts and starting new enterprises.

11. Which is better, to be born free and equal or free to equal? Are laborers free to equal their employers? Why?

12. Should the state regulate the conditions under which men may make their livelihood or should it follow the *laissez-faire* policy? Why?

13. What has been the policy of England in regard to this matter during the last fifty years? Has the United States followed a similar policy? Cite illustrations.

14. It is said that private initiative will cause more progress than public initiative. Explain this statement.

15. What is competition? Is free competition desirable?

16. Explain the meaning of monopoly. Is a private monopoly defensible? Why?

17. "Competition is the life of trade." "Competition is the death of trade." With which statement do you agree? Would the kind of trade make any difference?

18. What relation exists between exchange and cooperation?

19. "Exchange does not really help. Indeed it hinders. Time and energy are spent in merely passing goods on." Do you agree?

20. Try to estimate the number of people who cooperated to supply you with a piece of buttered toast for breakfast. How many cooperated to produce the bread? the cow? the milk-pail? the churn? the butter? Do you think it desirable to have so many individuals cooperating with one another to satisfy your wants? Are they all conscious of your existence and your needs?

21. In the absence of all metallic or paper money would there be as much unconscious cooperation in society as there is at the present time? How would students receive their allowances from home? How would a trader dealing in ten commodities make a living?

B. CONSUMPTION

I. **Means of Satisfying Wants**
II. **Characteristics of Man's Wants**
III. **Economical and Judicious Consumption**

I. Means of Satisfying Wants

1. With what is consumption concerned? Why is consumption discussed before production?

2. The following is a classification of goods:

Economic Goods (have utility, are scarce, and appropriable)	Material (called "wealth")	Have the quality called "value"—power to exchange for other goods
	Non-material (called "services")	
Free Goods (have utility)	Material (example, air)	The economist is not concerned with these
	Non-material (example, services of a mother to her child)	

3. What things are said to have utility?

4. Which of the following have utility: diamonds; opium; flies; weeds; water; a cancer of the nose; a four-leaf clover?

5. Which of the above are economic goods? Which are free goods? Why or why not?

6. Which has the greater utility, a barrel of water or a bottle of champagne?

7. What is wealth?

8. Which of the following are wealth: the Administration Building; a yellow dog; Douglas County Courthouse; a laborer; a slave; Ty Cobb; air; health; a glass eye; skill; a photograph of Abraham Lincoln; a free lunch in a saloon; gold to Robinson Crusoe; a four-leaf clover? Why or why not in each case? Is it necessary to reconstruct your definition of wealth?

9. Do you know of anything which is scarce and is not wealth?

10. What is the relation of wealth to services and effort?

11. In 1896 A was worth $5,000. Now he is estimated to be worth $10,000. Would it be correct to conclude that his wealth has doubled?

12. What relation exists between wealth and welfare? What is the difference between a "science of wealth" and a "science of human welfare"?

II. Characteristics of Man's Wants

1. How do man's wants differ from those of an ape? How do the characteristics of their wants differ?

2. "For the most part man's wants can be satisfied." "The more we have the more we want." Can these statements be reconciled?

3. Formulate the law of diminishing utility. Is the law valid when applied to (a) the consumption of tobacco? (b) the satisfaction of making money?

4. From which income would you spend a dollar the more readily, $25 per month or $100 per month? Why?

5. Which has the greater marginal utility, water or champagne? Which has the greater total utility? Explain your answer.

6. If there were a sudden increase in the number of diamonds and the price fell, would we use more diamonds? Would there be more engagements?

7. Would you use less water if there were a drought? Would you drink less? What is the significance of your answer?

8. Why do ladies' costumes look so much alike during a given season of the year? Why are they so different in appearance from one year to another?

9. Why are there so few labor-saving devices in Kansas homes and so many automobiles?

10. Mention concrete cases in which our wants are due to habit, environment and instinct.

11. If you had $100 what would you do with it? Would you wait a year before spending it?

12. "I want what I want when I want it." What is the significance of this statement?

13. Suppose a reliable person gave you your choice of two gifts, $100 now or $125 a year hence. Which offer would you accept? In any case how large would the latter offer have to be to make it just worth while?

III. Economical and Judicious Consumption

1. Do we always want what is best for us? Does this matter concern the economist?

2. "The greatest gain from public education lies in the fact that a people which grows up with wide views of life develops wider demands for consumption." Do you believe this statement? Is it desirable to live ahead of one's income in developing wider demands for consumption?

3. Does judicious consumption enable one to be a more efficient producer? Does efficient production enable one to be a more judicious consumer?

4. Do you think the Russian peasant, who lives on black bread and cucumbers, would have a larger income if he improved his diet?

5. A rich man gave a banquet to his friends. He employed decorators, caterers, waiters, etc., and served, among other things, one quart of champagne to each guest. Was the expenditure for the champagne justifiable? Was it productive? Did it give employment? Would society have been as well off if the money which was used to purchase the champagne had been thrown into the Atlantic instead? Why?

6. What is the difference between necessities and luxuries?

7. Is it wise to "mortgage the home, buy an automobile, and starve the groceryman?"

8. It is argued that men should not build $50,000 homes because such expenditure is wasteful. Would it be less wasteful to build a home costing $3,000 when a cave could be made habitable for $25?

9. It is said that the spendthrift is a better member of society than the miser because he puts his money in circulation. Do you agree?

10. If your income were doubled how would your expenditures for the following items be affected: food; clothing: room-rent; text-books; motor cycles; moving pictures; Lowney's chocolates?

C. PRODUCTION

I. **The Meaning of Production**
II. **Land and Natural Agents**
III. **Labor**
IV. **Capital**
V. **Organization of the Productive Factors**

I. The Meaning of Production

1. How does man create wealth?

2. Are all utilities wealth? Are all the utilities created by man wealth? Why?

3. Which of the following are producers of wealth: bar-tenders; messenger boys; domestic servants; distillers; barbers; life insurance salesmen; student council; cold storage merchants; brokers; railroads; farmers; blackmailers? Why in each case?

4. Would you regard the business of farming as more "productive" than the business of buying and selling stocks on commission?

5. "Only the people who work with their hands are true producers. All the rest live off them." Criticize this statement.

6. It is argued that a protective tariff which keeps out the goods of foreigners enhances the production of wealth at home by causing the creation of form utilities. Does it discourage the creation of any other utility?

7. A farmer in Oregon sells a barrel of apples for $1.50. A consumer in Kansas buys the barrel of apples and pays $3.00. Who suffered a loss on the transaction, the farmer or the consumer? Why?

II. Land and Natural Agents

1. The Function of Natural Agents
2. Increasing the Productivity of Land
3. Increasing the Amount of Land

1. Make a list of the natural agents which assist man in production.

2. How have natural agents affected the economic condition of Kansas? of California? of England? of Argentine? of New England? of the south pole?

3. Would you expect Lawrence, Kansas, ever to become a great manufacturing centre? Why?

3. What industries are located in the particular locality from which you have come? How would you account for the existence of those industries in your community?

5. Which of the natural agents is regarded as the most important? Why?

6. Is land limited in amount? Can it be made? Can it all be utilized?

7. What is meant by the expression "productivity of land"? What qualities make for productivity?

8. Of two pieces of land, equal in area, one is more fertile than the other. Is it possible that the more fertile land could be less productive than the other? Why?

9. Why are lands of different degrees of productivity under cultivation? Why does the farmer cultivate his whole farm rather than his best half-acre?

10. Can land be made more productive? Is it always desirable?

11. State and explain the law of diminishing returns.

12. Why do farmers erect silos at great expense when they are always confronted with the law of diminishing returns? Why do they buy new and expensive machinery such as mowing machines? Why not use scythes or sickles?

13. Why were New England farms abandoned on a large scale just before and after the Civil War? What did the law of diminishing returns have to do with it?

14. Why are the farms in Kansas so much larger in size than the average New England farm?

15. Extensive cultivation obtains where land is plentiful and labor scarce. Where labor is plentiful and land scare intensive cultivation is the rule. Explain what is meant by the terms "intensive" and "extensive" cultivation. Which kind of cultivation yields the larger product per man? Which yields the larger product per acre?

16. Is the cultivation of land in Kansas becoming more extensive? more intensive? Why?

17. Under what circumstances should the farmer attempt "to make two blades of grass grow where one grew before"? Should Kansas farmers strive to secure a large product per acre or a large product per man?

18. Can it be said that the American farmer is wasteful because he invests his savings in more land rather than in facilities for increasing the product of the land he already has?

19. The following table shows the yield of corn per acre in Kansas and one of its eastern counties by six-year periods from 1875 to 1910:

Period.	Kansas.	Nemaha County.
1875-1880	39.13 bu.	40.09 bu.
1881-1886	32.25 bu.	35.87 bu.
1887-1892	23.02 bu.	33.82 bu.
1893-1898	19.59 bu.	30.56 bu.
1899-1904	21.19 bu.	27.08 bu.
1905-1910	22.65 bu.	26.54 bu.

What inference do you draw from these figures?

20. It is said that our public land policy has been more instrumental than any other factor in promoting a system of wasteful farming. Explain this statement. Does the farmer waste his land, his feed, his machinery or his time? Can you suggest ways of conserving land?

21. What other natural resources are likely to be wasted so long as private initiative is allowed free scope? Have any steps been taken to conserve these resources?

22. What is meant by the margin of cultivation? the extensive margin? the intensive margin?

23. It has been estimated that there are 77,000,000 acres of land in the eastern half of the United States which can be reclaimed at a cost of $15 per acre. Do you think this land will ever be brought under cultivation?

24. If the price of potatoes rose to $10 per bushel do you think any one would endeavor to raise potatoes on the sand bars of the Kansas river?

25. Would any sane person produce goods for the market knowing that the selling price would just be sufficient to cover the expenses of production?

26. Do you know of any farmer who is a marginal producer? Do you think that the farmers who sell black walnuts in Lawrence every fall at 50 cents per bushel realize anything over and above the expenses of production? Make a list of their possible expenses.

III. Labor

1. The Definition of Labor
2. Factors Making for Labor Power
3. The Division of Labor

1. Would you call an ox a laborer? Why?

2. Is the man who runs his own business a laborer?

3. Is he a laborer if his work is pleasurable? if he receives no pay?

4. Which of the following are laborers: a college professor; governor of the state; a bricklayer; a book-agent; Walter Johnson; a college student; a football player? Why in each case?

5. What qualities determine an individual's capacity as a producer?

6. What is meant by efficiency of labor? Why are some laborers more efficient than others?

7. What moral and mental qualities of the laborer make for efficiency?

8. Would you expect to find a greater degree of intelligence in the American laborer than in the European workman? Why?

9. Are American laborers likely to be more ambitious than English laborers? Why? Which can rise the more readily? Why?

10. Why do not all laborers follow the same occupation?

11. What do you understand by the expression "division of labor"? Does the division of labor make for greater efficiency?

12. Suppose laborers were limited by law to a working day of eight hours. Would they become more efficient? Do you think many of them would spend their leisure time in a bar-room?

13. When a traveller arrives at a European railway station he is accosted by an excited crowd of porters who solicit the privilege of carrying his suitcase and other luggage to a waiting cab outside the station— for a consideration of five or ten cents. Why are there no porters at the railway station in Lawrence to render similar services?

14. What effect has the introduction of machinery had on the health and strength of laborers? What measures have been taken to counteract this effect?

15. What are the disadvantages of the division of labor so far as the laborers themselves are concerned? What are the disadvantages of teaching elementary economics to freshmen year after year?

16. With the advent of the taxicab, nearly all the London hansom-cab drivers were thrown out of employment and thereafter numbered among the unemployable. Should society care for those who suffer at the hands of our present complex industrial system? How?

17. It has been estimated that over half a million of the laborers in the United States are killed or seriously injured every year. Does this enormous waste of human energy stand as an indictment of our complex division of labor?

18. On the whole do you suppose the laborer of to-day is any better off than the laborer who lived before 1750? Make a comparison of their respective conditions as regards: longevity; standard of living; social status; exposure to risk; independence; opportunity to rise; apprenticeship; mobility; providence; education; efficiency. What are your conclusions as to the progress or deterioration of laborers?

IV. Capital

1. The Definition of Capital
2. The Source and Function of Capital
3. The Replacement of Capital
4. Capital and the Welfare of Laborers

1. What notions are fundamental in any definition of capital?

2. Which of the following are forms of capital: an automobile; a spade; a laborer's pipe; a box-car; a dollar in one's pocket; land; a gold watch; a Saturday Evening Post? Which are to be used in further production? Which are social products?

3. What is the difference between capital goods and consumers' goods?

4. In terms of consumers' goods and capital goods how would you classify the following: a loaf of bread; a bottle of champagne; a piano; an automobile for joy-riding; a cigar; a horse? Supply whatever conditions you deem necessary.

5. Is an educated mind capital? What is your object in attending the University? Will your education enable you to make money?

6. How does the business man's notion of capital differ from that of the economist?

7. Which is the most important factor in production: land, labor or capital?

8. Do you know of any instance where a laborer produces without the aid of capital?

9. "Labor alone is the producer of wealth; take away labor and not all the capital in the world could produce anything." Criticize this statement.

10. What is meant by the expression "capitalistic production"? Is capitalistic production superior to direct production? Is it more roundabout? Illustrate.

11. What is the basis for distinguishing between fixed and circulating capital? between free and specialized capital?

12. What kind of capital is each of the following: a circulating library; a bank account; a railway track; a bushel of wheat; a flour mill; a United States bond; the state capitol?

13. How would you prefer to find your investments in time of industrial depression, as free or specialized capital? Why?

14. Is it wise for a railroad to borrow capital? Would it not be wiser for railroads to get out of debt? Why?

15. What is the source of capital? Do all people have capital? Why? Can you justify interest taking from the ethical as well as from the economic point of view?

16. Why is it customary for economists to distinguish between capital and land? Are they not convertible, one into the other? Is not the farmer's land part of his capital?

17. "Capital must yield interest and a replacement fund." What is meant by the replacement fund? What is depreciation? What is the difference between the charge for depreciation and the charge for repairs?

18. Suppose you own a machine worth $1,000, good for ten years of productive service. What annual contribution must the machine make to yield you 6 per cent interest on your investment? Itemize your charges.

19. An investor wishes to derive an income from his holdings of city real estate, a house and lot. The lot cost him $1500, and he built the house—a frame structure to last fifty years—at a cost of $3500. Assuming that his yearly expenses for repairs, taxes, and insurance are $110, what annual rental must he secure in order to make 6 per cent interest on his investment?

20. What is the relation of an abundance of capital to the welfare of laborers?

21. If all the labor-saving devices in the world were suddenly destroyed, would there be more employment for labor? Explain?

22. Would you expect a great disaster like the Chicago or San Francisco conflagration to give employment to laborers? Why? Were not the cities rebuilt?

23. In the winter of 1911-12 a severe cold snap caused considerable damage to Lawrence water pipes, the repair and replacement of which cost the citizens of the town several thousand dollars. However, much employment was given to plumbers and their assistants. Was the disaster, as the newspapers called it, "a blessing in disguise"? Explain.

24. In certain foreign universities students have been known to break the window lights out of university buildings, pay for their replacement, and justify their action on the ground that they were giving employment to glaziers who for the time being were out of work on account of a depression in the glass industry. Was their charity well directed? Why?

V. Organization of the Productive Factors

1. The Enterpriser and his Function
2. Forms of Business Organization

1. The Enterpriser and his Function

1. Who is the enterpriser? Is he a fourth agent in production?

2. Which of the following are enterprisers: a bootblack; a carpenter; an undertaker; a contractor; the Chancellor; a farmer; a corporation president; the manager of athletics? Supply whatever conditions you deem necessary.

3. Are enterprisers also laborers? Are they ever landlords or capitalists? Which of the enterprisers in question 2 may perform functions other than entrepreneurial?

4. What qualities are necessary for an efficient enterpriser? What compensation does he receive for his services?

5. Enterprisers generally perform the two-fold function of managing and risk taking. What is the difference?

6. "In combining and directing land, labor and capital the enterpriser is governed largely by the law of proportions; he combines the productive factors in such a way as to get the greatest net profit." Explain.

7. Does the law of diminishing returns apply only to land?

8. Do enterprisers use the same proportions of land, labor and capital in all industries? in all localities? Why?

9. Why are there no sky-scrapers in Lawrence? Why so many in New York City?

10. Why is there so much capital used in the railroad business? Why so little in the business of truck-gardening?

11. European farmers use a relatively large number of laborers per acre; American farmers use a relatively large amount of machinery per acre. Why in each case?

12. American tourists in Italy are shocked at the wasteful methods of the Italian peasant who uses oxen and primitive implements in the cultivation of his land, when the use of horses and modern methods would enable him to do the same amount of work in one-fourth the time. Is the American point of view altogether sane?

13. Would it be wise for the American farmer to thresh his own grain? Why does he do his own plowing?

14. Would slave labor be profitable on southern plantations at the present time? Why?

15. What is the meaning of the expression "marginal laborer"? "marginal dose of capital"? Do enterprisers use marginal laborers and marginal doses of capital?

16. What is meant by the territorial division of labor? What is its significance to an enterpriser about to engage in business?

17. Why have wheat and cattle always been profitable farm products in this country? Why has the cattle business declined?

18. Is there a most efficient size for every kind of business undertaking? Why are there large factories for turning out steel rails and small studios for making portraits? Who determines the size of business units?

19. Why is farming conducted on a relatively small-scale unit? Will the average size of Kansas farms become larger or smaller? Why?

20. What are the economies of large-scale production? What enterprises are especially adapted to operation on a large scale? Do you think all businesses will eventually become large-scale enterprises?

21. How would you explain the phenomenal growth of (a) department stores in New York City (b) packing houses in Kansas City? (c) five and ten-cent stores in every American city?

22. Make a list of the risks which an enterpriser might have to assume while combining and directing land, labor and capital.

23. Could society get along without the enterpriser? Would there be enterprisers in a socialist state?

2. Forms of Business Organization

(*a*) *The Single Enterpriser Form*
(*b*) *The Partnership Form*
(*c*) *The Corporate Form*
(*d*) *The Cooperative Form* (*treated under "Industrial Organization"*)

1. Describe the single enterpriser form of business organization. What are its advantages and disadvantages? What kinds of business are well adapted to this form of organization?

2. Describe the partnership. Who is the enterpriser in a partnership?

3. For what reason or reasons would you form a partnership? How would you form one?

4. What are the disadvantages of the partnership form of business organization? Why is the number of business partnerships comparatively small?

5. In what respects is the business partnership comparable to the state of matrimony?

6. What is a corporation? What are its powers? Is the city of Lawrence a corporation?

7. What is a charter? Who grants the charter? What details do corporation charters usually contain? How long do charters generally run?

8. How would you set about getting a charter for a corporation? What would be your motive in incorporating your business? Why not form a joint-stock company?

9. Who are the enterprisers in a stock corporation? What compensation do they receive? Who are the enterprisers in the University of Kansas?

10. What is meant by capital stock? Describe the different forms of corporation stock. What determines the par value of a share?

11. Describe the internal organization of a corporation. How is the corporation managed? Is the corporate organization democratic? Is it efficient?

12. What is a bond? Distinguish the following kinds of corporation bonds: mortgage bonds; collateral trust bonds; income and debenture bonds.

13. Which would you rather own, a share of stock or a mortgage bond? Why?

14. How does the status of a stockholder differ from that of a bondholder as regards (a) kind of income? (b) right to receive income? (c) security of the investment? (d) voice in the management?

15. A corporation has outstanding $100,000 of 5 per cent bonds, $50,000 of 7 per cent preferred stock and $50,000 of common stock. If the gross annual earnings are $200,000, and the total expenses including depreciation are $187,000 for the year, what are the corporation's net earnings and how would they be distributed among the various security holders?

16. Distinguish carefully the following terms: capital; capital stock; capitalization.

17. A corporation just formed with an authorized capital stock of $100,000 divided into 1000 shares (1) sells its stock at par. (2) Later it issues and sells, at par, its bonds to the amount of $50,000. (3) Suppose it had sold its stock at 90 and its bonds at 80. What would be the corporation's capital, capital stock, and capitalization after each of the three operations?

18. What is overcapitalization? Is the corporation in question 17 overcapitalized? Is overcapitalization an evil?

19. Is overcapitalization necessarily the result of stock-watering? What is the purpose of stock-watering?

20. What is "blue-sky" legislation? What is the difference between a "blue-sky" law and a pure food law?

21. Do you attach any significance to the fact that a corporation chartered in New Jersey can do business in Kansas?

22. Describe the evils of the corporate form. Do you know of any measures that are being taken to overcome these evils?

23. How do you account for the increased popularity of the corporate form of organization in the last half-century? Has the corporate form been responsible in any large measure for the phenomenal growth of commerce and industry in modern times?

D. EXCHANGE

I. Value and Price
II. The Mechanism of Domestic Exchange
III. International Exchange

I. Value and Price

1. Meaning of Value and Price
2. Market Price, Demand and Supply
3. Market Price and Cost of Production
4. Market Price and Marginal Utility
5. General Questions on Value and Price
6. Monopoly Price

1. Meaning of Value and Price

1. "The things which have the greatest value in use frequently have little or no value in exchange." Explain the two meanings of the word value. With which kind of value is the economist concerned?

2. Does all wealth have value? Are all valuable things wealth?

3. Just as every good has utility, so every economic good has value. Explain this statement, showing the relation between utility and value.

4. Do all things having value have utility? Do all things having utility have value?

5. Can a thing have value if not desired? if not scarce?

6. A gold watch has value. What precisely does this statement mean? What power has a valuable watch? Why does it have that power?

7. What is price?

8. When Jack trades his ginger break for Jim's jack-knife what is the value of the ginger bread? the price of the jack-knife?

9. What is a $5 gold piece? If the value of gold shoud rise what would the government do with the outstanding $5 gold pieces? If wheat should rise in value would there still be 60 pounds to the bushel? What is the significance of your answer?

10. Suppose the value of gold should fall, what would happen to prices?

11. What would happen to prices if the value of gold should rise? Why?

12. Can there be a general rise or fall of prices? of values?

13. What is meant by intrinsic value? Is the value of gold intrinsic?

14. What is a theory? What is a theory of value?

2. Market Price, Demand and Supply

1. What is a market? Is there any market in Lawrence?

2. Where would you find the nearest market for fresh milk? wheat? cotton? cattle?

3. What is meant by demand? Are you creating a demand for anything when you gaze longingly in the window of the Palace of Sweets? when you enter and offer 10 cents for a bottle of grape juice marked 25 cents?

4. What is meant by supply? Would you regard the wheat being held by farmers as a part of the supply?

5. Market price will be established at the point where the demand equals the supply. Explain carefully what this statement means. Is it a theory of value?

6. In a certain market there is a horse for sale which meets all the requirements of four buyers. Buyer A has decided that the horse is worth at the most $300. Buyer B estimates the maximum value to be $250. Buyers C and D have maxima prices of $200 and $150 respectively. At what price will the horse probably sell? Why?

7. Suppose there had been two horses for sale and each buyer had wished to purchase only one. At what price would the horses—assuming they were exactly alike—have sold?

8. In an automobile market there are, let us say, six dealers each of whom has an automobile to sell and will sell so long as the price does not fall below what he regards as his minimum. Likewise there are six buyers each of whom desires to buy one automobile so long as the price does not exceed his maximum. The automobiles are exactly alike. Assume that the sellers' minima prices are $2000, $1900, $1800, $1700, $1600, $1500 respectively, and that the buyers' maxima prices are $2100, $2000, $1900, $1800, $1700, $1600 respectively. Remembering that buyers compete with buyers, that sellers compete with sellers, and that buyers bargain with sellers, at what price will the automobiles be sold? At what point will the supply equal the demand? How many automobiles will be sold?

9. Suppose there had been a seventh buyer who would have given $2200 for an automobile. At what price would the automobiles have been sold? How many would have been sold?

10. Explain what is meant by producers' or sellers' surplus; by buyers' or consumers' surplus. What surplus was realized by buyers and sellers in question 8?

11. Is it technically correct to explain the high price of meat by saying that the demand is greater than the supply? Why?

12. "Prices are among the factors determining supply and demand." Is this statement opposed to the one in question 5?

13. Would the demand for butter be as great as it is now if the price were 75 cents a pound? Would consumers use anything else?

14. What is meant by elastic demand? inelastic demand?

15. Is the demand for the following elastic or inelastic: salt; water for drinking; water for sprinkling the lawn; tobacco; flour; sugar; olive oil; coal; A. B. degree; diamonds; automobiles?

16. "Kansas spent 15½ million dollars for motor cars in 1914. Charles Sessions, secretary of state, has issued 50,454 motor car licenses during the year, an increase of 15,506 over the number at the beginning of the year. The average value of the cars is estimated at about $1000." How do you account for this increased demand for motor cars?

17. How would a sudden cheapening of automobiles affect the demand for automobiles? the demand for gasoline? the demand for motor veils? the demand for groceries?

18. Is the demand for coal in cold weather likely to affect the demand for milk?

19. How would a sudden demand for wheat in Europe affect the demand for corn in the United States?

20. "Demand will change with changes in income, tastes, fashions, and the like." Explain this statement. What does it suggest?

21. The following is a demand schedule, suggesting the amount of meat that would be demanded in a community like Lawrence at each of several possible prices:

At	50c.	per lb. there would be purchased	25 lbs.
At	45c.	per lb. there would be purchased	35 lbs.
At	40c.	per lb. there would be purchased	50 lbs.
At	35c.	per lb. there would be purchased	75 lbs.
At	30c.	per lb. there would be purchased	125 lbs.
At	25c.	per lb. there would be purchased	200 lbs.
At	20c.	per lb. there would be purchased	300 lbs.
At	15c.	per lb. there would be purchased	450 lbs.
At	**10c.**	**per lb. there would be purchased**	**750 lbs.**
At	5c.	per lb. there would be purchased	1250 lbs.

Plot the above data graphically, showing a demand curve.

22. Would there be a large supply of fresh eggs in the market if the price were 8 cents a dozen? Why? Is there such a thing as an elastic supply?

23. "The amount of goods that will be supplied in a given market at a given time depends, like the amount demanded, on the price." Is this statement invariably true?

24. How would you account for the large supply of strawberries in the market on a Saturday night? the large supply of winter suits for sale in January?

25. "The amount of goods available for the market of to-day is limited not only by past estimates and conditions but also by present estimates of future conditions." What is the significance of this statement?

26. What is meant by potential supply? What will determine the proportion of the potential supply which sellers are willing to part with?

27. What commodity is supplied jointly with wool? butter? coke?

28. Would a sudden and large increase in the demand for beef affect the supply of hides?

29. If the price of hides rose would there be any material increase in the supply? Why?

30. Can you cite cases where custom, ignorance and habit affect the supply of goods?

31. The following is a supply schedule, suggesting the amount of meat that would be supplied in a community like Lawrence at each of several possible prices:

At 5c. per lb.	there would be supplied	0 lbs.
At 10c. per lb.	there would be supplied	0 lbs.
At 15c. per lb.	there would be supplied	25 lbs.
At 20c. per lb.	there would be supplied	50 lbs.
At 25c. per lb.	there would be supplied	200 lbs.
At 30c. per lb.	there would be supplied	450 lbs.
At 35c. per lb.	there would be supplied	750 lbs.
At 40c. per lb.	there would be supplied	900 lbs.
At 45c. per lb.	there would be supplied	1000 lbs.
At 50c. per lb.	there would be supplied	1050 lbs.

Plot the above data graphically on the same figure as used in question 21, showing a supply curve.

32. Under the market conditions as laid down in problems 21 and 31, what would be the market price of meat? How many pounds would be exchanged at that price?

33. If the demand were doubled would the price be doubled? Would the price be doubled if the supply were halved?

34. Can there be more than one price for a given commodity in the same market at the same time?

35. One grocery store in Lawrence charges 18 cents for a cake of Baker's chocolate. Other stores charge 25 cents for the same amount. Account for the difference in price.

3. Market Price and Cost of Production

1. The value of a commodity is determined by the cost of producing it. Is this statement a theory of value? Criticize the statement.

2. Why do enterprisers produce for the market? Why do they not produce more cattle in Kansas?

3. Does the cost of production have any bearing on the supply? Why according to your suppy schedule (above, problem 31) was there no supply when the price was 5 cents? Why was there only a small supply when the price was 15 cents?

4. Does market price under competitive conditions tend to conform to the cost of production? Why? Cite cases (a) where the difference may be very great; (b) where the difference may be very small.

5. Why is it that the price of wheat in the United States never goes as high as $10 a bushel? Why does it never go as low as 10 cents a bushel? Why does it fluctuate at all?

6. What is normal value (or normal price)?

7. When you buy a $25 suit of clothes in a January sale for $16.75, can you explain the phenomenon in terms of normal value?

8. How would the market price of diamonds be affected by the discovery of a method of making diamonds indistinguishable from the natural product? How would the normal value be affected?

9. "The strength of the tendency of actual competitive values to equal normal values depends upon the length of the period of time that is taken into consideration." Explain this statement, showing the effect of a prolonged European war on (a) the market price of wheat; (b) the cost of production; (c) the amount produced; (d) the normal value. What would be the effect in each instance of a European war of short duration?

10. Why does the market price ever go below the cost of production?

11. In what businesses especially is increased production subject to increasing cost per unit? What fixes the normal value of the product in these enterprises?

12. What is meant by marginal cost? Is market price determined by marginal cost, or is marginal cost determined by market price?

13. Referring again to your supply schedule, why is it that prices above 30 cents do not bring forth corresponding increases in the supply?

14. What businesses are subject to conditions of decreasing cost? Are they likely to become large-scale producers? Why? How will the normal value of their products be affected?

15. Is the cost of production of manufactured articles rising or falling? Why?

16. Is a business which is subject to the condition of decreasing cost likely to become monopolistic? Why? What about the telephone business?

17. Do you know of any business in which the cost of producing a unit remains constant irrespective of the amount produced?

18. What expenses of a street-railway may be regarded as constant? What expenses are variable?

19. What elements of a farmer's expenses are constant? What elements are variable?

20. Is it to the advantage of a railroad company to operate a branch road, once it is in existence, even though it fails to earn anything for the stockholders?

21. Would it be profitable for a factory to operate day and night? What expenses would increase or decrease as compared with the expenses involved in day operations only? Under what conditions would the increased expenses be incurred?

22. A rich man employs a chauffeur who devotes his spare time to raising vegetables for his master's table. How would the cost of producing the vegetables be ascertained?

23. Would it be possible to ascertain the cost of producing wool? gasoline? beef-tongue? pigs' feet? artificial gas? Why?

24. What determines the market price of by-products? What determines the normal price?

25. Market price has been compared to the waves of the sea; normal price to the calm surface. What suggestions do you draw from the comparison?

4. Market Price and Marginal Utility

1. What is meant by marginal utility? If there were six apples lying on the table which would be the marginal apple?

2. Who are marginal buyers? marginal sellers?

3. It is said that market price is determined by the valuation put upon goods by marginal buyers. With these individuals the marginal utility of their money is just equal to the marginal utility of the goods purchased. Therefore "market price is determined by marginal utility." Explain this theory of value and its significance, using the illustration already referred to under (2) Market Price, Demand and Supply, question 8.

4. Which, in your opinion, is the better explanation of market price, the marginal utility theory, or the supply and demand theory? Are the results the same?

5. In terms of marginal utility, why is the price of Oriental rugs high? Why is the price of air low? Answer the same questions in terms of supply and demand.

6. Does market price ever determine marginal utility? Is the price of diamonds high because the marginal utility is large, or is the marginal utility large because the price is high?

7. According to the marginal utility theory, who exerts the greater influence on market price, buyers or sellers? Which blade of a pair of scissors does the cutting?

8. What is meant by the margin of consumption?

9. What would you purchase if you had $25 to spend? if you had $50? if you had $100?

10. When you purchase a mackinaw for $7.50 rather than a balmaccan for $10, is your decision governed by any consideration of marginal utility? Are you conscious of any such consideration?

11. What is meant by the expression "get your money's worth"?

12. "With most men custom regulates their economic action more potently than any calculation of utility which they are able to make." Explain this statement. Does it attempt to minimize the importance of the marginal utility explanation?

13. Which can be better explained in terms of marginal utility, market price, or the part which buyers have to do in determining it?

5. General Questions on Value and Price

1. Develop a theory of value by reconciling the theories already discussed.

2. What would determine the market price of one of Milton's autographs?

3. Does what it cost to reproduce determine the value of a good? Why?

4. Will demand and supply definitely fix the price of a horse?

5. If market price is dependent on supply and demand, why is it nearly always possible to buy a loaf of bread for 5 cents?

6. Does cost of production or marginal utility have anything to do with the price of a lead pencil?

7. Why is it that goods purchased from a wholesaler for 16 2/3 cents almost invariably sell at retail for 25 cents? Why not 22 cents or 28 cents?

8. Why do retail prices fluctuate so little when wholesale prices fluctuate continually?

9. If we had a three-cent coin in circulation do you think it would reduce high cost of living? the price of street-car fares?

10. Why does it require $1.50 to buy a novel in book form when the same novel may be read in a newspaper serially for 20 cents? Is the higher cost of the book due to a larger amount of labor involved? Is there a greater demand for books than for newspapers?

11. Would it be possible to establish a protective tariff equal to the difference in cost of production at home and abroad? Make a list of possible difficulties in ascertaining the various costs.

12. Suppose a certain stove costs 10 days' labor and a certain watch costs 30 days'. At what rate will they exchange?

13. Is there such a thing as natural value?

14. Suppose a law were passed in Kansas forbidding the sale of butter at a higher price than 25 cents a pound. What would be the economic consequences of such a law?

15. If the market price of a commodity is determined by supply and demand, what determines the price of services, say a day's labor?

6. Monopoly Price

1. If it were possible to get a monopoly on the supply of eggs, what considerations would govern the wise monopolist in fixing the price? Are all monopolists wise?

2. A city gas plant finds from experience that it can sell

1,000,000 cu. ft. of gas when the price is $2.00 at a cost of $1.25 a thousand
2,500,000 cu. ft. of gas when the price is $1.50 at a cost of $1.00 a thousand
5,000,000 cu. ft. of gas when the price is $1.25 at a cost of $ .85 a thousand
8,000,000 cu. ft. of gas when the price is $1.00 at a cost of $ .70 a thousand
12,000,000 cu. ft. of gas when the price is $ .75 at a cost of $ .60 a thousand
17,000,000 cu. ft. of gas when the price is $ .60 at a cost of $ .55 a thousand

Under these conditions what will be the price of gas?

3. Would the reduction of a railway passenger fare from 3 to 2 cents a mile necessarily reduce the earnings of the road? Why?

4. If a world-wide monopoly existed in tobacco, would you expect the monopolist's price to be high or low? Why?

5. A clothier in Lawrence buys out all competitors. Can he charge an exorbitant price for men's furnishings? Why?

6. A telephone monopoly becomes indifferent to the demands of its patrons, refuses to make extensions, renders poor service, and by charging high toll rates makes enormous profits. Would you expect the monopoly to last?

7. Explain what is meant by potential competition.

8. Would it be to the advantage of retailers of electrical goods to be obliged to purchase their supplies from a monopoly? Why?

9. How do monopoly prices compare with competitive prices as regards (a) stability? (b) fairness?

10. Is there such a thing as a "just price?" What standard is used in determining whether the prices charged by a railway or municipal monopoly are just and reasonable? Is the standard just?

11. What objections could be urged against the fixation of monopoly prices by public authority?

II. The Mechanism of Domestic Exchange

1. Money
2. Credit and Credit Institutions

1. Money

(*a*) *The Nature and Functions of Money*
(*b*) *Standards of Value*
(*c*) *Media of Exchange*
(*d*) *Proposed Standards for Deferred Payments*

(*a*) *The Nature and Functions of Money*

1. If all money were suddenly to disappear, could we continue to buy and sell?

2. What difficulties would confront a trader dealing in ten different commodities if no use were made of money?

3. When the farmer gives the grocer a dozen eggs for a pound of coffee, is any money exchange involved? Why does the grocer want the eggs?

4. Why did the institution of money develop? What various commodities have been used as money?

5. Would society be as complex as it is at the present time if it had to depend on barter?

6. What is money?

7. "That which does the money-work is the money-thing." Is this a satisfactory definition of money?

8. What are the functions of money?

9. Are all media of exchange to be regarded as money? Are all media of exchange standards of value? Are all standards of value media of exchange?

10. Which of the following are money: a money order; a check; a two-cent stamp; a bank draft; a bank note; an ounce of pure gold; an ounce of pure silver? Why?

11. Must money have value? intrinsic value? Does gold have intrinsic value?

12. Does the value of money ever change? When is a dollar not a dollar?

(*b*) *Standards of Value*

(The Single Standard)
(The Double Standard)
(The Fiat Standard)

1. At one time money was coined by private individuals and firms. Why is the coinage of money now regarded as a governmental function?

2. What is seigniorage? brassage? Does the government exact any charge for coining gold eagles? What is free and unlimited coinage?

3. What is standard money? What is the standard monetary unit in the Uinted States? Is it a medium of exchange?

4. Does the government put pure gold in a $5 gold piece? Why?

5. Which would you rather have, 23.22 gr. of pure gold or a gold dollar coined by the government? Would you be suspicious of a gold dollar coined by an individual if you knew it to be of standard weight and fineness?

6. An ounce of pure gold is $20.67 1-5. Must gold be coined if it is to circulate as a medium of exchange? What difficulties would you encounter in trying to pay a laundry bill with pure gold? How does the coinage of gold by the government overcome these difficulties?

7. Is gold legal tender? What do you mean by legal tender?

8. Are you free to melt a gold coin if you happen to possess one?

9. Why have we adopted gold as a standard rather than one of the following: wheat, diamonds, eggs, silver, radium, tobacco?

10. What qualities should a commodity possess if it is to make a good standard of value? Which quality is the most important? Is gold lacking in any of these qualities? Would platinum be superior to gold as a standard of value? Why?

11. What determines the value of a bushel of wheat? an ounce of gold?

12. Is gold valuable because it is standard money or is it standard money because it is valuable?

13. Would gold be as valuable if the government refused to allow its free coinage? Would there still be a demand for gold?

14. Why is the value of gold money the same as the value of gold?

15. Would you expect an unusual demand for wedding rings to affect the value of gold coins?

16. Can the demand for gold be measured accurately when credit instruments are being used in the payment of debts?

17. What forces affect the supply of wheat? the supply of gold?

18. If the methods employed in extracting gold were suddenly improved would you expect the supply of gold to increase? Why? Would the increased supply of gold affect the value of the $5 gold piece? Would the price level be affected? How?

19. "There is five cents' worth of gold in every cubic yard of sea water, and several thousand times as much gold in the sea as has ever been mined." Why not extract gold from the sea?

20. Has the higher cost of living since 1896 been due to the law of diminishing returns, to higher standards of living ("cost of high living"), or to the increase in the production of gold? In any case which of these possible influences do you consider the most important in your explanation of rising prices?

21. Why has there been such an enormous increase in the world's stock of gold since 1896? Is there any automatic check on the production of gold?

22. If the two street-cars on the Oread loop were to run at twice the present speed, so that a car could be boarded every six minutes, would the supply of cars be potentially greater? When you pay for a ride do you pay for the car or the service?

23. If gold circulated more rapidly would it be equivalent to an increase in the supply of money?

24. What would be the effect on prices if every one began "holding to his dollar until the eagle screamed"?

25. Which supply of gold is the greater—in so far as the effect on prices is concerned—one dollar exchanging a thousand times or a thousand dollars exchanging once in the same period of time?

26. Do you expect the supply of gold to go on increasing indefinitely? What must be the inevitable effect on prices?

27. Is it desirable for prices to rise or fall? Is anyone likely to benefit by a general rise in prices? to be adversely affected by a general fall in prices?

28. Suppose you had borrowed $100 in 1896. What, in reality did you borrow? If you repaid your principal in 1915 would you actually be paying back the amount you borrowed? Explain.

29. When prices are steadily rising, is it altogether advantageous to take out an expensive life insurance policy? to deposit your savings in a bank at 4 per cent? Why?

30. On the whole do you think the gold standard is a satisfactory one? Do you know of any single commodity which would be more satisfactory? Would silver be a satisfactory standard? Why not have a double standard?

31. What is bimetallism and why was it advocated by Alexander Hamilton for adoption in the United States?

32. What is the meaning of "16 to 1"?

33. "Bimetallism means the free and unlimited coinage of two metals, usually gold and silver, at a fixed legal ratio to one another." Explain this statement.

34. What was the legal ratio first adopted in the United States? Why was it adopted? Was it satisfactory? Why?

35. What is Gresham's law? When has Gresham's law operated in the United States?

36. A goldsmith wants gold nine-tenths fine. Would he melt new gold coins or old ones? Why?

37. Suppose the legal ratio of silver to gold is 15 to 1 and the ratio in the market is 30 to 1. What would you do with an ounce of gold if you had one?

38. Why did the United States government change the ratio of silver to gold in 1834-37 from 15 to 1 to 16 to 1? Was the change a wise one? Why?

39. Suppose the legal ratio of silver to gold is 16 to 1, when the ratio in the market is 8 to 1, what would you do with an ounce of gold if you had one? Why?

40. What was the official standard of value in the United States at the time of the discovery of gold in California? What was the actual standard?

41. What effect did the issuance of government paper money during the Civil War have on gold and silver coins? Why?

42. When did bimetallism in the United States cease? What was the "crime of 1873"?

43. Following the demonitization of the silver dollar there was an urgent demand throughout the country for its recoinage. From what classes of people did this demand come? Why? What legislation resulted?

44. Why did the general price level fall after 1873? Did the fall in prices injure any special class or classes?

45. Why was the Sherman Act repealed?

46. What was the cause of the 16 to 1 campaign in 1896? Why not earlier?

47. Would it have been wise to re-establish bimetallism at the old ratio of 16 to 1 when the market ratio was approximately 30 to 1? What would have been the consequences of such legislation? Would it have meant "a full dinner pail"? Would it have benefited Kansas farmers? Nevada mine owners?

48. Why were most of the railroad bonds issued around 1896 gold bonds?

49. Do you think bimetallism will ever be seriously proposed again in the United States?

50. Are silver dollars coined nowadays by the government?

51. Can bimetallism succeed when the market ratio is near the legal ratio? when the market ratio is far removed from the legal ratio? Explain in both cases.

52. Would it be possible to secure the benefits of both monometallism and bimetallism by making the standard monetary coin contain, say 36 parts of silver to one part of gold? Could Gresham's law operate so readily?

53. Why not have international bimetallism? Would Gresham's law operate?

54. Assuming that monometallism and bimetallism are both objectionable as standards of value, why not have a fiat standard? What is fiat money?

55. Has the government ever issued fiat money? Have we ever had a fiat standard?

56. Could prices be kept stable under a fiat standard? How?

57. Why has a fiat standard been advocated? Who has advocated it?

58. If a fiat standard were adopted, would you accept fiat money in payment of debts? Why was it accepted during the Civil War?

59. What countries of the world have the gold standard? silver standard? double standard? fiat standard?

(c) *Media of Exchange*

(Metallic Money)

(Paper Money)

1. Make a list of all the circulating media in the United States.

2. In a silver dollar there are 371¼ gr. of pure silver. When silver is 55 cents an ounce in the market what is the bullion value of a silver dollar?

3. In the light of your answer to the above question why do people accept silver dollars in the payment of debts? Is the silver dollar legal tender? Why?

4. Which is worth the more, $5 worth of silver or five silver dollars? Explain.

5. When you refer to the market price of silver as being 55 cents per ounce, what do you mean by cents? Why?

6. Is the coinage of silver dollars free? What is meant by the expression "free silver"?

7. Why are silver dollars in circulation? Where did they come from originally?

8. Does the fact that the face value of a silver dollar exceeds its bullion value encourage or discourage counterfeiting?

9. Is it hypothetically possible that the gold in a gold dollar might become worth more than $1? Could the silver in a silver dollar become worth more than its face value?

10. Should the face value of coins be greater or smaller than the bullion value? Why? How much greater or smaller?

11. Why have coins of small and large denominations? What are the token and subsidiary coins in circulation? To what extent are they legal tender?

12. What is a one-cent piece? Is it a piece of copper or is it a fractional part of a dollar? Explain.

13. Why did the government issue paper money in small denominations during the Civil War?

14. Does the government stamp count for as much on gold coins as on silver and token coins? Why?

15. Does the government get any seigniorage when it coins gold? silver dollars? half-dollars? quarters? dimes? five-cent and one-cent pieces? Why?

16. How does the government keep silver and token coins equal in value to the standard?

17. What forms of paper money are in circulation at the present time?

18. Copy from each of the forms of paper money in circulation the significant statements.

19. What is a gold certificate? a silver certificate? Why are these certificates issued? Where does the government get the gold and silver?

20. What is a greenback? a United States note? What was the origin of these forms? Are United States notes legal tender?

21. The reserve kept by the government for the redemption of United States notes is considerably less than one-half the outstanding issue. Why under these circumstances are United States notes acceptable?

22. If the borrowing power of the government were seriously impaired would United States notes be a popular medium of exchange? Why?

23. What is the origin of the expression "not worth a continental"?

24. How did the issuance of the greenbacks affect the cost of the Civil War?

25. Has fiat money ever been a good medium of exchange? Has it ever been issued conservatively? For what various reasons has it been issued?

26. What were the treasury notes? Why were they issued? Where are they now?

27. Do you think it desirable to have so many different kinds of paper money in circulation?

Note: Bank notes and federal reserve notes will be considered under "Credit and Credit Institutions."

(*d*) *Proposed Standards for Deferred Payments*
(The Tabular Standard)
(The Standardized Dollar)

1. What is the standard for deferred payments in the United States? Must the standard of value also be the standard for deferred payments?

2. Is the gold dollar a good standard for deferred payments? Why?

3. Do you agree with the statement that it is "absurd to have as our standard of contracts a metal which has no intrinsic use except to gild picture frames and fill teeth?"

4. Suppose you were asked to ascertain the change in the value of money since 1896. How would you do it?

5. What are index numbers? Of what use are they?

6. If the sum of the index numbers in 1896 reads 10,000 and the sum of the index numbers for the present year reads 15,666, what conclusions would you draw?

7. Suppose you had borrowed $10,000 in 1896. On the assumptions of the preceding question how much should you repay now if your creditor is to receive his principal equal in purchasing power to the amount he loaned? For simplicity omit all interest calculations.

8. What is the multiple or tabular standard? If this standard were adopted what would be the standard of value? the standard for deferred payments? Would the tabular standard prevent price fluctuations?

9. A servant girl who deposited $100 in a savings bank fifteen years ago now draws out her principal and accumulated interest to find that she has 50 per cent more than she put in. If prices have also risen 50 per cent in the meantime has she any more purchasing power than she originally deposited?

10. How would the adoption of a tabular standard enable the small investor to benefit by the interest accumulations on his investment when prices were rising?

11. What objections can you urge against the adoption of a tabular standard? How many and what commodities would constitute the standard? Would you ascribe equal importance to pepper and wheat in the table?

12. If the tabular standard were adopted, how often should the change in prices be noted? Would the prices be manufacturers', producers', wholesale, or retail prices? Why?

13. Do you think it would be wise to put the administration of a tabular standard into the hands of a government board, say the Bureau of Labor?

14. Do you think debtors and creditors would be willing to submit to the plan of making the principal of a loan always equal in purchasing power to the principal at the time the loan was made. Who would favor the plan when prices were rising? when prices were falling? Why?

15. In recent years the "standardized dollar" has been advocated as a means of remedying the defects of the present standard for deferred payments. According to this proposal the dollar would be standardized, making it have at all times the same purchasing power rather than the same weight. For instance, if at the end of any month index numbers showed the general price level to have risen 1 per cent, the weight of the dollar would be increased by 1 per cent; likewise when it was ascertained that the price level had fallen, the weight of the dollar would be decreased. Gold coins now in circulation would be withdrawn and their place taken by gold certificates. Would this plan be open to the same objections that have been urged against the tabular standard? Does it have advantages not possessed by any other proposal? Would price remain stable? Why?

16. Under the scheme just outlined what would be the standard of value? the standard for deferred payments?

17. If the compensated or standardized dollar plan is to be adopted, should it be adopted by one nation such as the United States or by the nations of the whole civilized world? Why?

18. On the whole do you think it is advisable to experiment with a scheme so lacking in conservatism? Would it be better to let well enough alone?

2. Credit and Credit Institutions

(*a*) *The Nature of Credit*
(*b*) *Modern Banking Operations*
(*c*) *The Clearing House Function*
(*d*) *Centralized Banks*
(*e*) *The National Bank System*
(*f*) *Federal Reserve Banks*
(*g*) *Credit and Crises*

(*a*) *The Nature of Credit*

1. What is credit? book credit?

2. Would you extend credit to one who is dishonest? to one who is worthless?

3. What is a check? a promissory note? a bank draft? a bill of exchange?

4. What is the difference between a check and a bank draft? Which would be the better instrument to use in paying a debt in some distant city? Why?

5. What is single-name paper? two-name paper?

6. It is said that book credit serves as a medium of exchange in fully one half of the wholesale and retail transactions in the United States; and that 95 per cent of the indebtedness arising out of international trade is settled by means of credit instruments. Do you see any element of danger in the enormous volume of credit transactions? Would it be better to use metallic money?

7. Is credit always used for productive purposes? Is one likely to live ahead of one's income when credit is freely granted?

8. What effect does growing confidence and extensive use of credit have on prices? Is there a day of reckoning at last?

9. Suppose the highest cash price you can afford to pay for the latest garment to be $20. Would you be willing to pay a higher price at the end of six months if you could have the use of the garment in the meantime?

10. Why are credit prices usually higher than cash prices at down-town stores?

11. Is an increase in the use of credit instruments equivalent to an increase in the quantity of money in circulation—so far as the effect on prices is concerned?

(*b*) *Modern Banking Opreations*

1. A bank is formed with a capital stock of $25,000 divided into 250 shares. Each share is sold at par. Make out a statement of the bank's resources and liabilities.

2. What is the reason for the existence of banks? Do banks make money? How?

3. Why would you deposit your money in a bank? Why do bankers want deposits? Does the bank keep all of its deposits on hand? Why?

4. Suppose that the bank referred to in problem 1 receives deposits to the amount of $10,000. Make out a statement showing the bank's resources and liabilities.

5. Having decided that the business of the bank is not of mushroom growth, the bank directors invest $5,000 in a bank building, furniture, and fixtures. Make out a statement of the bank's resources and liabilities.

6. A farmer who has been holding his wheat for a rise in price is in need of funds to buy farm supplies, to pay the expenses incurred in producing his wheat, and to make ready for the next year's crop. Can he secure a loan from the banker? How? Is it desirable to borrow under these conditions? Is it agreeable to the banker? Where would the banker obtain the funds to lend to the farmer?

7. Suppose the bank loaned the farmer $1000 for six months at 7 per cent. Make out a statement of the bank's resources and liabilities to date.

8. A merchant buys a $1000 stock of goods from a wholesaler and gives him in payment a promissory note for $1000 maturing in three months. Will the wholesaler deposit the note in his safe until maturity, or will he take it to his bank? Why?

9. Suppose the bank accepts the note and discounts it at 7 per cent. What is the meaning of this transaction? Will the banker pay gold coin to the wholesaler? Why? What will be done with the discounted note? Is it an asset of the bank? Would it be well to have the wholesaler's indorsement on the note? Has the bank increased its liabilities?

10. Make out a statement of the bank's resources and liabilities to date.

11. What are call loans? time loans? collateral loans? Should commercial banks have a large proportion of their assets invested in time loans? Why?

12. What are demand deposits? time deposits? Should a bank lend all of its deposits? Why?

13. What is a bank reserve? What is its object? Where would you look for the reserve in the bank statement?

14. What is a bank note? Is it profitable to banks to issue bank notes? What is the difference between a bank note and a bank deposit? Is there any security attached to a bank's promise to pay to bearer on demand $5? to pay a depositor on demand $5?

15. Our bank meanwhile has issued bank notes to the amount of $10,000. What can it do with these notes? If you held one of these notes would you present it to the bank for payment? Are bank notes resources or liabilities? Make out a statement showing the bank's condition to date.

16. Suppose at the close of business, December 12th., the resources of a state bank amount to $613,767.40. It has deposits to the amount of $543,951.14, and a capital of $50,000. Complete the bank statement.

17. Arrange the following items as they would appear in a bank statement: loans and discounts; bank building; capital stock; deposits; overdrafts; United States bonds; circulation (or national currency); redemption fund; surplus; cash; undivided profits.

18. What is a bank surplus? What is its object? Can a banker make the surplus appear to be larger than it really is? How?

19. The three important operations of a modern bank are deposit, discount and issue. To what extent are these operations carried on by state banks? loan and trust companies? savings banks?

20. The total deposits in Kansas state banks on December 12th. 1914 were $118,692,455.65, exceeding by one half-million all former records. Would you regard this as a sign of prosperity? Why are per capita bank deposits in Kansas usually large? Would you expect to find large bank deposits in a year of drought? Why?

(c) *The Clearing House Function*

1. A and B owe each other $100. How would they settle their indebtedness?

2. What is the main cause of indebtedness? Is it due to gambling?

3. What is a clearing house? Who maintains the institution? Where does it exist?

4. Is there a clearing house in Lawrence? What function does it perform?

5. If there were only one bank in Lawrence, would there be a clearing house? How would depositors settle their debts with one another without the actual transfer of money?

6. "The clearing house is to the banks what one bank is to its depositors." Criticize this statement.

7. Why do all Lawrence banks have an account in some Kansas City bank? Why is it that no Lawrence bank has an account with a bank in Lincoln, Nebraska?

8. A Lawrence merchant buys $100 worth of goods in Kansas City and pays by check. Assuming that no money is transferred from Lawrence to Kansas City either by a bank or an individual, how can the debt be settled?

9. There is very little trade between the merchants of Lawrence and the merchants of Topeka. Would this fact make it impossible for you to pay a debt in Topeka without causing the equivalent in money to be transferred to that city? If you paid the debt by check where would the check be cleared?

10. Why is it sometimes necessary for Kansas City bankers to ship money to Chicago? for Chicago bankers to ship money to Kansas City?

11. When you give a Kansas City merchant a check for $25 on a Lawrence bank, does the check pass through the Kansas City clearing house or the Lawrence clearing house? Under what circumstances would it pass through both? through either one? through neither one?

12. Suppose you were to pay a debt of $10 in Columbia, Missouri, by sending a check drawn on Watkins National Bank. How is it possible to pay the debt by check when there is not enough trade between the two towns to justify the Lawrence bank in having an account with the Columbia bank? Make out the most complicated case your present knowledge and experience would justify in showing how the debt could be cancelled without the actual transfer of money. Under what conditions would it be necessary for the check to pass through a clearing house?

13. Trace the history of the check drawn on the Peoples State Bank of Lawrence, Kansas, in favor of John E. Christian, Excelsior, Minn., and returned to the maker with the following indorsements:

John E. Christian

Pay to the order of
Any Bank, Banker or Trust Co.
All Prior Endorsements Guaranteed
Sept. 10, 1914.
Corn Exchange National Bank
Chicago, Ill.
J. E. Maass, Cashier.

Pay to the order of
Security National Bank
Minneapolis, Minn.
Minnetonka State Bank
Excelsior, Minn.
Geo. P. Dickinson, Cashier.

Pay to the order of
Corn Exchange National Bank
Chicago, Ill.
Security National Bank
Minneapolis, Minn.
Fred Stafford, Cashier

Watkins National Bank
Lawrence Clearing House
Sept. 12, 1914.
Paid.
Lawrence, Kansas.

Pay to the order of
Minnetonka State Bank
Excelsior, Minn.
August Hay

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14. Might the check have been cleared differently if it had not been given to August Hay?

15. Would you expect to find unusually large bank clearings during a prosperous season? Are the weekly statements of bank clearings a reliable gauge of business prosperity?

16. What is a clearing house certificate?

(*d*) *Centralized Bank Systems*

1. Is the banking system of the United States highly centralized? What are the advantages of a centralized banking system?

2. In those countries where banking is highly centralized one bank has a virtual monopoly on note issue. Is this advantageous? Which would you rather have, a bank note issued by a central bank under government supervision or a note issued by a national bank of Cairo, Maine? Why?

3. Restate your reasons for the desire on the part of bankers to extend their bank credit by issuing their demand notes as circulating media. Do you see any close resemblance between the deposit and the issue operations?

4. If a nation's banking system is to be centralized, should the central bank be regulated by the government as regards note issue? reserve against deposits?

5. Should a central bank be bound up with the solvency or insolvency of the government? Should it be a government bank? Should it be the fiscal agent of the government? Should it be run for profit?

6. If the banking system were highly centralized would you expect to find greater security for depositors and note holders? greater elasticity of note issue? Why? What is the meaning of elasticity of note issue?

7. The Bank of France is a stock corporation under government supervision; it is the fiscal agent of the government, has a monopoly on note issue, and may issue notes to any amount. Would you regard this system of note issue as elastic? Would it be dangerous if applied in this country?

8. The Bank of France "lends to bankers who in turn lend to the commercial public; or rather, it rediscounts the paper which the private bankers and banking companies have already discounted." Explain this statement. Is it of any advantage to a bank to have its paper rediscounted? Why? When?

9. The Bank of England, a private corporation, managed without government intervention, has a practical monopoly on note issue and may issue notes up to £18,450,000 on the security of government bonds. For every note issued above this amount it must have the equivalent in gold coin or bullion in its vaults. Is this system of note issue elastic? How do Bank of England notes differ from United States gold certificates as regards security?

10. The Imperial Bank of Germany, organized like the Bank of France, with a virtual monopoly on note issue, may issue notes up to 550,000,000 marks on the security of discounted paper or government bonds. For all notes issued above this amount the Bank must have mark for mark in specie and pay an annual tax of 5 per cent on the excess. Is there any elastic feature in this system of note issue? Would you consider bank notes secured by discounted commercial paper altogether safe and reliable?

11. Do you think any one of the centralized banks of Europe would meet the needs of American conditions? Why? Have banking systems been adopted outright or have they evolved naturally to meet existing conditions? Are existing conditions in the United States in any sense peculiar?

(*e*) *The National Bank System*

1. What were the main reasons in 1863 for the establishment of the national bank system?

2. Do you know of any corporations other than national banks which receive their charters from the federal government?

3. What precisely were the conditions prior to 1913 under which a national bank could be formed? How was the issuance of bank notes regulated? Were the holders of bank notes safe? Were the notes legal tender?

4. To what extent are depositors in national banks safe? What kind of money can be counted as a part of the bank's lawful reserve?

5. Where would you rather deposit your money, in a national bank or a state bank? Why? What are the essential differences between these institutions as regards (a) note issue? (b) security of depositors?

6. Can bank deposits be guaranteed by law? Explain the bank guaranty law of Kansas.

7. What are central reserve city banks? reserve city banks? To which class does Watkins National Bank belong?

8. Were there any defects in the reserve requirements of national banks before 1913?

9. Do you know of any reason why western banks should not have deposit accounts in New York City banks? Why do they?

10. What is the money market? What transactions common to the money market are likely to affect banks?

11. Why is it necessary for New York banks to make large shipments of money to Kansas every fall? How does this movement of money affect bank reserves? bank credit? the money rate? Is there not just as much money after the movement as before?

12. What special kind of dealings do New York bankers have with speculators? When you deposit $1000 in a Lawrence bank, is any portion of your deposit going to be loaned to speculators in New York?

13. Which is the better security for a bank loan, two-name paper or the stocks and bonds of corporations? Why?

14. At the time of the general outbreak of hostilities in Europe, the price of standard stocks in New York fell. What was the effect of this sudden change on bank reserves? bank credit? the money rate? Why was the effect felt throughout the whole country?

15. What is the Independent Treasury System? Does this system affect bank reserves? bank credit?

16. Why do bankers curtail their loans in times of financial stringency? Why not increase their note issues? What was the general policy of national banks in regard to this matter before 1913?

17. Explain why the system of issuing bank notes prior to 1913 was perversely elastic. What about the Aldrich Act of 1908?

18. What is asset banking?

19. When a bank has a large quantity of first class commercial paper on hand should it be allowed to issue notes on the security of this paper? Was it possible in normal times for national banks to do this?

20. Is cooperation among banks desirable? Did the national bank system foster cooperation among banks?

21. It is said that the national bank system has been prejudicial to farmers. To what extent is this true? Can the same bank adequately supply the needs of merchants and farmers? How do the credit needs of merchants and farmers differ essentially?

(*f*) *Federal Reserve Banks*

1. What defects in the national bank system was the Federal Reserve Act of 1913 designed to overcome? How many banks were established under the act and where are they located?

2. Describe the organization of a federal reserve bank. Does a federal reserve bank have to invest a portion of its capital in United States bonds? Is it a government bank? a banker's bank? How much capital is required for organization? Who are the stockholders? How are the directors chosen?

3. What was the reason for creating a Federal Reserve Board to exercise general supervision over the reserve banks? What are the powers of the Board?

4. Will national banks continue to issue bank notes secured by government bonds? How will national banks under the new law be able to extend credit to merchants and farmers?

5. Explain how the new law creates a market for the rediscounting of commercial paper. What are federal reserve notes?

6. Federal reserve banks must maintain a gold reserve of 40 per cent against their notes in circulation and 35 per cent against their deposits. Under these circumstances will their banking operations be profitable?

7. It is said that the new law will make the assets of a national bank at once mobile and flexible. Is this of any advantage? Could it give rise to a reckless extension of credit?

8. What are the present reserve requirements of national banks? Will the change in reserve requirements cause any less fear and trembling among bankers in times of financial stringency? Will there be more cooperation?

9. Does the new system centralize or democratize banking power?

10. On the whole what effect will the new law have on the independence of the United States Treasury? the concentration of bank reserves in New York banks for speculative purposes? the elasticity or inelasticity of note issue? over-speculation and financial depressions? the farmer's rate of interest?

(*g*) *Credit and Crises*

1. What is the difference between a financial and an industrial crisis? Are they closely related?

2. Describe the nature and course of a panic. Why do panics seem to come with more or less regularity?

3. Were there any industrial or financial depressions before the Industrial Revolution? What is the significance of your answer?

4. Do you think that the present day roundabout method of production has any bearing on the explanation of crises?

5. In 1907 the Knickerbocker Trust Company of New York failed and a financial crisis resulted. A complete paralysis of industry set in. How would you account for this phenomenon?

6. Is there such a thing as over-production? under-consumption?

7. Prices are rising. Would you expect business men to go heavily in debt in order to expand their operations? Why? Do they cause prices to rise still further? Are their ventures always profitable?

8. What is over-speculation? Is it the same as over-capitalization?

9. Why are boom periods nearly always followed by depressions? Cite illustrations.

10. When the price of gasoline was 15 cents a gallon a large number of oil companies were formed to drill oil wells in Kansas and Oklahoma. Recently the price of gasoline fell to 10 cents a gallon and many of these companies went into the hands of receivers. At present the oil business is said to be dull. Can you account for this maladjustment? Will the oil business ever be profitable again?

11. At one time the price of corn in Kansas was around 15 cents a bushel. Was this low price caused by over-production? Why is the price of corn now considerably higher than 15 cents?

12. What is meant by the statement that "crises are largely a matter of capitalization"? Is there any physchological explanation of crises?

13. If the dollar were standardized so that price fluctuations were reduced to a minimum, would we have panics?

14. What precisely has the credit and banking system to do with crises? Would a first class banking system remedy or mitigate the evils arising out of crises? Explain.

III. International Exchange.

1. The Basis of International Trade
2. The Rate of International Exchange
3. Protection versus Free Trade

1. The Basis of International Trade

1. What is the difference between international trade and domestic trade? Does the United States trade with other nations?

2. Is international trade advantageous? It is productive?

3. "What one nation gains in trade other nations lose." Show the fallacy in this statement.

4. Should an efficient instructor who is also a skilled cook prepare his own meals?

5. Should Kansas farmers buy farm implements from Chicago manufacturers or should they make them in Topeka? Why?

6. It is said that we should not import anything which can be made in this country. Why or why not?

7. Explain the doctrine of comparative cost. Is it ever profitable to import goods which could be produced at home at less expense?

8. How is it that "a country may produce for export commodities which it cannot produce as easily as the importing country"?

9. What is a favorable balance of trade? an unfavorable balance of trade?

10. What was the policy of the mercantilists in regard to the balance of trade? Was their policy wise? Why?

11. "Exports tend to stimulate imports and *vice versa.*" Can you establish it?

12. "In the long run exports must pay for imports." Is this statement true? Does it mean that in the long run exports will equal imports in value?

13. From 1898 to 1914 our exports exceeded our imports in value by about $500,000,000 every year. Would you regard the balance of trade as favorable? Does it mean that we were growing richer every year by one half-billion dollars?

14. Do international obligations arise only on account of the transfer of *commodities* from one country to another?

15. If you were going to spend a summer in England how would you take your expense money along? Would you take cattle, wheat, cotton, or American Express checks?

16. If Americans spent their vacations at home rather than in foreign countries would our exports be as large? Can you prove the validity of your answer?

17. It is said that European investors hold about $6,000,000,000 worth of American stocks and bonds. How do they get their dividends and interest?

18. An American heiress marries an English duke and lives in England. How does she get the money from her estate to support him?

19. Even though our exports exceed our imports we normally export gold. Why?

20. "Although we have normally an apparent credit balance in trade of over $500,000,000 annually, we have in fact other annual international debts of at least twice that amount, so that our boasted balance not only is wiped out, but a balance accumulates against us which might compel us to export at least $500,000,000 in gold to pay our debts each year." Explain this statement.

21. "For a long time Great Britain has imported more commodities than she has exported. This cannot continue indefinitely. One of these days she will be bankrupt." The same might have been said of France or Germany. Show that the conclusion is fallacious. Why do these countries import more than they export?

22. "A simple problem. The American people send abroad over $100,000,000 a year to pay for imported sugar. To meet this bill requires the wheat crop of over 7,100,000 acres. But all the sugar now imported could be grown on 1,700,000 acres in beets or cane. In other words we are throwing away the product of approximately 5,400,000 acres of land by not growing our own sugar." Show that the statement is false and misleading.

23. If you were a statesman would you strive to encourage international trade or would you strive to encourage domestic trade by discouraging international trade?

2. The Rate of International Exchange

1. What is a bill of exchange? a documentary bill? a banker's bill? How are these instruments used in settling international indebtedness?

2. Why are most bills drawn on London rather than on New York, Paris, or Berlin?

3. A of New York has imported $100 worth of woolen goods from Y in London. B, also of New York, has exported $100 worth of wheat to Z in London. B draws an order on Z directing him to pay Y. Show how the one bill of exchange can be used to settle the existing indebtedness without the actual transfer of gold.

4. How is it possible for the A's and B's to find one another in New York? How do the Y's and Z's find one another in London?

5. Who are the wholesalers of exchange? the jobbers of exchange? the retailers of exchange?

6. Assuming that trade is carried on only between Great Britain and the United States, and that the relation between exports and import is the sole determinant of the rate of exchange, what would be the rate of sterling exchange in question 3? What other assumptions are necessary?

7. When is exchange said to be at par? Why is sterling exchange quoted in terms of dollars and cents?

8. On the assumptions made in question 6 what would happen to the rate of sterling exchange if our exports exceeded our imports? if our imports exceeded our exports?

9. What are the specie points? What determines them? Why are they variable?

10. When sterling exchange is at $4.89, which would you rather be, an Englishman landing in New York with an ounce of gold in your pocket, or an American landing in London with the same quantity of gold? Why? When the rate of sterling exchange is $4.83 would you rather be an American importer than an English importer? Why or why not?

11. Suppose that our imports from Great Britain exceed our exports and that for the time being interest rates are higher in New York than in London. Will the rate of sterling exchange necessarily be high? Why?

12. Suppose that our exports have exceeded our imports and that European investors have undertaken suddenly to dispose of their American securities and to deposit the proceeds in their own European banks. What is likely to happen to the rate of sterling exchange? Why?

13. Under what circumstances is it possible for the rate of sterling exchange to remain close to par when our exports are annually in excess of imports?

14. Enumerate all the factors which control the rate of sterling exchange and show how they may operate.

15. When the nations of Europe declared war in 1914, sight exchange on London, normally $4.86 and almost never higher than $4.89, rose to $5.00, then to $6.00, and finally to $7.00,—a rate never before witnessed. How do you account for this phenomenon?

16. Does the rate of sterling exchange depend upon our exports and imports or upon our credits and liabilities? What is the difference?

17. Our imports from South American countries are always in excess of our exports to those countries. How then is the balance settled? Do we export gold?

18. It is said that the gold supply regulates itself. Explain what is meant by this statement. If our gold supply were too large, what would happen to the price level? to exports and imports? to the rate of exchange? Why? Likewise what would happen in each instance if our gold supply were inadequate?

19. Would you look upon the exportation of gold to pay for imported woolen goods etc. with any feeling of apprehension? In the long run does it make any difference whether gold or wheat is exported to pay for imports?

20. How is a state like Kansas without any gold mines supplied with gold? How is England supplied with gold?

3. Protection versus Free Trade

1. Explain the meaning of the following: protective tariff; tariff for revenue only; free trade.

2. In your opinion is it wise to restrict international trade by levying duties on the importation of certain goods? Should the government regulate the trade carried on by its citizens with the citizens of other countries?

3. Would it be wise to levy restrictive duties on imports in order that exports might always be greater than imports? Would it bring gold into the country? Why?

4. "If we buy rails from England we get rails of course but they get our money; while if we buy the rails at home, we have the rails and the money too." Is this a valid argument for protection?

5. "Keep Kansas money in Kansas for Kansans." Is this a sound reason for trading with your local merchant? Would it be well to compel people to buy at home and thereby keep their money at home?

6. Suppose it were possible by law, or otherwise, to keep all Lawrence money and every dollar spent in Lawrence, from leaving the city during the next year. Trace the economic consequences. Substitute "United States" for "Lawrence," "country" for "city," and make a similar analysis.

7. "Ordinarily the United States sends abroad over $100,000,000 a year to pay for imported sugar. If all our sugar were of domestic production, high prices would be accompanied at least by the consolation that the money was remaining at home and entering into American industrial channels. As it is, this vast sum goes to the benefit of foreigners and serves to increase the trade balance against us. What is the moral?" What do you think of this argument? Criticize it. What *is* the moral?

8. A Kansas City merchant who has a son in the University insists that his son buy all his clothing in Kansas City on the ground that the money was earned there and should be spent there. Assuming that the money was not stolen, is there any reason why the merchant should be under such an obligation to the people of Kansas City? Is this argument any different from the home-market argument advocated by protectionists? Criticize it.

9. It is contended that the development of a home-market would obviate the unnecessary expense of transporting goods to distant countries and that therefore the farmer would have a more dependable market for his goods while society in general would benefit from the savings in transportation cost. Is the argument valid? Is it relatively important? Why?

10. A congressman recently asserted that we could grow grapes on the top of the Rocky Mountains if the protective tariff were sufficiently high. Would it not be wise to make profitable use of the Rocky Mountain peaks after this manner? Why?

11. Would it be wise to encourage the silk industry in Kansas by prohibiting the importation of silk from other states?

12. Why did the North favor protection and the South oppose it?

13. "Just as children need the fostering care of their parents during the period of infancy, so the feeble and newly started industries need to be carefully protected during their years of weakness." What is your opinion of this statement? Does the process of fostering care involve expense? Is it a present loss for a future gain? Should the expense be incurred?

14. Is there any danger that children will be cared for too long? Why? Should a protective tariff be a permanent institution? Who is to ascertain when industries are "of age"?

15. "Protection signifies weakness." Do industries in the United States need protection? Does a protective tariff make weak industries strong or does it make strong industries weak?

16. Is it wise for physicians to administer stimulants to patients once in a while? continually?

17. Did the infant industries of the South have any protection from the established industries of Massachusetts? Would the United States have become an industrial nation so soon had the policy of protection never been adopted?

18. Which animal is likely to be the better specimen, one that develops quickly or one that develops slowly? Why?

19. Does protection, by encouraging the production of goods in this country, cause the wages of American laborers to be high?

20. The wages of cooks in the United States are about 100 per cent higher than the wages of cooks in England. Is there any tariff protection for American cooks?

21. If all Kansans were compelled to buy only those oranges grown in Kansas, would the wages of gardeners be high?

22. Should we have a protective tariff because wages are high or because wages are low? What form would the wages argument take in Germany? in England? How does the original wages arguments in the United States compare with the present day argument?

23. Have the supporters of the wages argument for protection usually favored restrictions on immigration? What is the significance of your answer?

24. Should a nation be self-sufficient? Is it politically desirable? What nations have been self-sufficient? Have they been strong?

25. Should the dominant motive in restricting foreign trade be economic, political, or sentimental? Give an argument of each type.

26. What would happen to American industry if the tariff were suddenly and entirely removed?

27. Who bears the burden of a protective tariff and who gets the benefit (a) when commodities are imported? (b) when they are made in this country?

28. Is it possible to shift the burden of a protective duty to foreigners? Is it possible to "tax the people rich"?

29. Has a protective tariff been responsible in any measure for the large number of millionaires in this country? Is the tariff a "tax on the many for the benefit of the few"?

30. "Waste does not make wealth." Is the protective tariff a cause of waste? Is this a valid argument against protection?

31. How, precisely, are tariffs made? Would it be possible to make tariffs scientifically? Why not make the tariff on goods correspond to the difference in the cost of production at home and abroad? Who would ascertain the difference in cost?

32. What is the attitude of your political party on the tariff question?

E. DISTRIBUTION

I. The Nature of the Distributive Process
II. Rent
III. Wages
IV. Interest
V. Profits
VI. Distribution and Inequality

I. The Nature of the Distributive Process

1. Is distribution concerned with moving goods from one place to another? Is it concerned with the fact that Chicago is one of the biggest distributing centres in the United States?

2. State definitely the meaning of distribution. What is the problem of distribution?

3. If all families were economically self-sufficient would there be any distributive process? Why has the problem of distribution arisen?

4. At one time the Kansas farmer was landlord, laborer, capitalist and enterpriser. Does the fact that many farmers of to-day rent their land, hire their labor, borrow their capital etc. make the distributive process any different from what it formerly was?

5. What is the relation of distribution to production?

6. A factory manager buys $100 worth of pig iron and converts it into steel rails worth $500. Has wealth been produced? Why? What individuals will benefit jointly to the amount of $400?

7. A farmer who owns his land, does his own work, uses his own capital, and manages his own business, produces 1000 bushels of wheat worth $1500. An inventory shows that the market price of his land is $5000; his capital invested in machinery, improvements, live stock, etc. amounts to $2000; and he estimates his time to be worth on an average $600 a year—what he could get by doing the same kind of work for a neighboring farmer. How would you estimate the farmer's profit for the year?

8. What is the relation of distribution to exchange?

9. Four men—a landlord, a laborer, a capitalist, and an enterpriser—cooperate and produce wheat worth $1000. What principles will determine the amount of wheat or money to be received by each producer?

10. Is wealth distributed to individuals in proportion to their productive services? Suppose one produces nothing does it follow that he gets nothing?

11. Are rent, wages, interest and profits the only share in distribution?

12. To what extent is the distribution of wealth and income governed by economic law?

13. If there were no such thing as private property in land or capital goods, what would be the shares in distribution?

II. Rent

1. Introduction
2. The Theory of Rent
3. Rent and the Price of Products
4. Rent and Land Values
5. Rent and the Unearned Increment

1. Introduction

1. "Rent is the price paid for the services of land." Does not the farmer's rent include also the price paid for the services of buildings, ponds, and other improvements? Explain.

2. Is the rent of an office in a New York sky-scraper the price paid for the services of land?

3. What is economic rent? How does economic rent differ from the ordinary rent—commercial rent?

4. A downtown merchant pays an annual rental of $2000 for the use of a storebuilding and the corner lot on which it is located. What portion of this payment is rent in the economic sense? Is the other portion wages, interest, or profits?

2. The Theory of Rent

1. Why is rent paid for the use of land?

2. Did the early settlers in Massachusetts pay any rent? Why?

3. Why is more rent paid for some lands than for others?

4. Do you know of land which yields no rent?

5. Would rent be paid if there were no law of diminishing returns? Why?

6. Assume that there are only three grades of land, A, B, and C. On land A, 100 days' labor with proper capital equipment will produce 200 bushels of wheat; the same amount of labor and capital service will produce 150 bushels on land B, and 100 bushels on land C. When the price of wheat is $1 a bushel, and the cost of producing a bushel of wheat on land C is $1, what rentals will be paid for the use of the three grades of land respectively? If the price of wheat rose to $1.25 and a fourth grade of land were discovered on which the same expenditure of capital and labor caused the land to produce 80 bushels at a cost per bushel of $1.25, what rentals would be paid for the four grades of land respectively? Could the owners of lands A, B, and C force their tenants to pay higher rents as the price of wheat advanced? Why?

7. In the above question uniform methods of extensive cultivation have been assumed. Does this assumption hold true in actual practice? As the price of wheat advanced would the cultivator on land A resort to more intensive cultivation? How far would he go in adding more labor and capital? How would the resulting increase in the productivity of the land affect its rent? Show wherein your answer to question 6 needs correction.

8. If you were a good farmer which land would you prefer to cultivate: A, B, or C? Why?

9. If all lands were equally desirable would there be rent? Why?

10. If all lands were equally fertile would there be rent? Why?

11. A farm, ten miles from Lawrence, yields on an average 20 bushels of wheat per acre but it costs 20 cents to transport a bushel of wheat to market. On a farm adjoining Lawrence the same expenditure of capital and labor causes a yield of 18 bushels per acre and the cost of transporting the wheat to the same market is only 2 cents per bushel. Which land will probably pay the higher rental when the price of wheat is $1 in the market? when the price is $2? What qualifications would you make before answering the question?

12. Why are farm rents comparatively low ten miles north of Lawrence? Why is the rent relatively high on the corner of 8th. and Massachusetts Streets?

13. If land in western Kansas will produce, with the same expenditure of capital and labor, five more bushels of wheat per acre than land in eastern Kansas, does it follow that higher rents will be paid for western lands? Might the land in eastern Kansas be more productive if devoted to corn raising?

14. Does marginal wheat land yield a rent? Why?

15. Why are there no blacksmith shops in the 800 block on Massachusetts Street?

16. Does commercial rent ever exceed the economic rent? Does economic rent ever exceed the commercial rent?

17. Is competition among tenants for the use of land perfect? Do rents determined by custom and contract correspond with economic rent over a short period of time? over a long period of time?

18. If rent is the price paid for the services of land what determines that price? What determines the price of a bushel of wheat? Is there any analogy?

19. Why did the opening of the Mississippi Valley cause the rents of English estates to fall?

20. How did the construction of the Lawrence Street Railway affect rents in Lawrence? What rents were affected?

21. Do you think the increased use of automobiles will lower rents in the residential sections of Lawrence? Why?

22. How would you expect farm rents to be affected by (a) the introduction of farm machinery of a revolutionary character? (b) a general European war? (c) an increase in population?

23. Is the rent of land determined by the operation of supply and demand, or is it determined by the superiority of its productiveness over no-rent land? Explain. What is the difference?

3. Rent and the Price of Products

1. Is rent one of the expenses of production? Does a high rent mean a high cost?

2. "High rent means greater cost of production, smaller supply of commodities, and therefore higher prices." Point out the fallacies in this statement.

3. Two farmers, one of eastern Kansas, the other of western Kansas, market their corn in Kansas City. If the farmers receive the same price for their corn, how can the farmer of eastern Kansas afford to pay a higher rent for his land?

4. If you were contemplating a career in the grocery business would you locate your store in the centre of Lawrence where rents are high, one mile from Lawrence where rents are low, or on a sand-bar in the Kansas river where the rent is nothing? Why?

5. Can a merchant who pays a high rent exact a high price for his wares in order to "make" his rent? Why? Would a merchant strive to get the highest possible price irrespective of the amount of his rent?

6. There is great competition among merchants for the corner sites on Massachusetts Street and the rents are high. Why are there no second-hand clothiers occupying the corner sites? Could they "make" their rent?

7. A groceryman on the outskirts of Lawrence advertises that his goods are cheaper than the goods of down-town grocers because he does not have to pay exorbitant rent. Why has he failed to secure an abundant patronage?

8. On the west side of Massachusetts Street whose rents are high, a pair of shoes may be purchased for $5. On the east side of the street where rents are lower a pair of standard $5 shoes may be had for $4.50. Does it follow that high rents cause high prices? Why? Why are the best stores in Lawrence located on the west side of Massachusetts Street? Why are the rents higher on the west side?

9. A certain groceryman in Lawrence caters to a fastidious class of customers, secures high prices for his groceries, and pays a high rent for his location. Certain housewives refuse to trade at his store because his rent is high. What is the argument? Is it sound?

10. On Fifth Avenue, New York, $60 will purchase a first class tailored suit. On Sixth Avenue, where rents are lower, the same quality and fit may be secured for $40. Account for the discrepancy in price.

11. It is said that farm rents in Kansas have more than doubled since 1896. How can this be accounted for?

12. If the government should put a tax on land equal to 10 per cent of the economic rent, would landlords raise their rents? Would the price of farm products rise?

4. Rent and Land Values

1. What would you give for a corporation bond, par value $1000, maturing in 999 years, which offered no prospect of yielding an income?

2. Does land yield an income because it is valuable, or is it valuable because it yields an income?

3. Explain what is meant by the expression "capitalization of rent."

4. Suppose you own an acre of land which yields an annual rental of $5. About how much is your land worth? Make all other assumptions you deem necessary.

5. If the rate of interest on farm loans should fall from 6 to 5 per cent, how would the value of farm lands be affected?

6. There is an abundance of land in Kansas which sells for $100 per acre, when the cash rent per acre is only $3. If the rent were capitalized at the current rate of interest on farm loans, the land would be worth only $50. How do you account for the high market price of the land?

7. If a tax of $1 were levied on an acre of land which pays a rental of $5, how would the value of the land be affected?

8. In England, land which yields a rental of $2.50 per acre is worth approximately $100. West of the University there is a farm of ten acres assessed at $200 per acre and the farm rents for $45 a year. Account for the high land values. Is your explanation the same in both cases?

9. When land yields a rent of $3 per acre and sells for $100, would it be cheaper to rent the land than to buy it?

10. A landlord in Lawrence offers to sell his property—a house and lot—for $5,000, or to rent it at $40 a month. If the house is worth $3500, is good for 50 years' service and the annual charges for insurance, taxes and repairs amount to $130, which would be cheaper at the moment, to rent the house or to buy it? How would the fact that you were going to live in Lawrence for the next 50 years affect your answer? Why?

11. In 1880, 16.3 per cent of all farms in Kansas were operated by tenants. In 1910 the percentage had arisen to 36.8. Account for it.

12. In 1900 the average value of farm land and buildings per acre in Kansas was $15.45. In 1910 the average value of farm land and buildings per acre was $40.05. Why this phenomenal increase in land values? Has the increase in the value of land been greater than the fall in the value of gold?

13. Since the breaking out of the European war a farmer near Lawrence has gone heavily in debt in order to own 2000 acres of land. Make an analysis of his motive.

14. Is the value of land determined by the process of capitalizing its rent, or by the operation of supply and demand? Explain.

5. Rent and the Unearned Increment

1. "Rents tend to rise with progress." Why?

2. Which is more likely to rise in price, an acre of land or a railway locomotive?

3. What is the "unearned increment?" Is it unearned?

4. If you were to buy a horse for $100 and after a period of five years sell it for $200, would you have "earned" $100? Substitute an "acre of land" for "horse" and answer the question.

5. Two capitalists of Lawrence buy land in western Kansas at $5 per acre. One settles on the land and cultivates it. The other leaves his land and returns to Lawrence to live. When the price of their land has arisen to $10 an acre, is the increment unearned in both cases, or is one increment more earned than the other?

6. If it is true, as an eminent advertising agent says, that the population of Lawrence will double in the next ten years, would you invest your savings in farm mortgages, office buildings, or city lots? Why?

7. If the growth of population causes higher prices for products, higher rents and higher land values, should society or land owners have the benefit of the increased value of land? Why? How could society get the benefit?

8. Suppose a tax equal to the annual economic rent were imposed on unimproved land worth $100. How would the tax affect the value of the land? Suppose the tax were imposed on improved land worth $1500 one third of which sum represented the value of improvements. How much would the property be worth?

9. Why have certain reformers proposed to abolish rent as private income? Why did Henry George advocate confiscation?

10. If land nationalization is to be resorted to, should it be accomplished by confiscation or by compensation? Why?

11. What advantages accrue to society when land is held as private property?

12. Is there any unearned increment in the business man's profit? Would it be just to tax landowners without taxing business men?

13. Is the single tax, as generally proposed, the same kind of tax as proposed by Henry George? What would be the advantages and disadvantages of raising all state revenue by a tax on land? Would it encourage improvements? Would it discourage land speculation?

III. Wages

1. Introduction
2. The Subsistence Theory of Wages
3. The Marginal Productivity Theory
4. The Demand for Labor
5. The Supply of Labor
6. General Questions on Wages

1. Introduction

1. If a British and an American laborer each get $1 a day, would you conclude that their wages are the same?

2. What is the difference between real and nominal wages? With which kind of wages is the present study concerned?

3. Is the problem of wages concerned with salaries? with gratuities?

2. The Subsistence Theory of Wages

1. What is the lowest point to which wages can go? Do wages ever reach that point?

2. What was the theory of Malthus in regard to population? Is there any relation between the Malthusian theory of population and the subsistence theory of wages?

3. Does population tend to outrun the food supply? Would you expect an increase of population in a period of prosperity when food is abundant? Why? Would wages fall?

4. Does the subsistence theory explain why wages are low in India? why wages are high in the United States? Does it explain the difference in wages in different occupations?

5. Do you think population will go on increasing in the United States? If so, will the American laborer be any better off eventually than the laborers of Europe?

6. If you accept the subsistence theory of wages could you accept the doctrine that the wage earner's condition would be improved if the state owned and operated all industry?

7. Do you get any suggestion from the subsistence theory as to how the condition of the laboring class might be improved?

3. The Marginal Productivity Theory

1. Can laborers get more than they produce? Why?

2. If agricultural laborers are equally efficient, can any one of them get more than the value of the product contributed by the last laborer who is hired?

3. "The wages of every class of labour tend to be equal to the net product due to the additional labour of the marginal labourer of that class." Explain this statement. Is it a theory of wages?

4. Assume that an isolated community depends wholly on agriculture, that its population is increasing, that no improvements in agricultural machinery or methods are being made, that agricultural laborers are of equal efficiency, and that only the most inexpensive forms of capital are being utilized. What is the highest rate of wages, measured in terms of wheat, that could be paid in this community in each of the four stages below—assuming a stage to have been reached whenever population has increased sufficiently to make an additional laborer available?

	Number of laborers employed	Total amount produced	Amount contributed by marginal laborer
First Stage	1	100 bushels	100 bushels
Second Stage	2	190 bushels	90 bushels
Third Stage	3	270 bushels	80 bushels
Fourth Stage	4	340 bushels	70 bushels

5. Would wages in the above illustration tend to equal the highest wage that could be paid? Why?

6. Do the laborers in the fourth stage get the full value of their aggregate product? Why? Who gets the remainder? Is such distribution justifiable?

7. Why, according to the above schedule, do wages fall? Could the fall in wages have been prevented?

8. According to Professor Seligman, real wages in the United States have increased more than 100 per cent in industrial pursuits and more than 70 per cent in agriculture since the Civil War. If this estimate is correct, how is the general rise in wages to be explained by the marginal productivity theory?

9. Why are wages higher in the United States than in England?

10. Does the marginal productivity theory explain why the wages of factory managers are higher than the wages of factory workers?

11. Can an employer estimate the amount contributed by a marginal laborer?

12. Are wages determined by the product of the marginal laborers or is the product of marginal laborers determined by wages?

13. If there were no new inventions for the next fifty years, how would wages be affected?

14. In what ways can the laborers of the future hope to increase their wages?

15. Does the marginal productivity theory take into consideration the supply of labor? Does it explain the demand for labor?

4. The Demand for Labor

1. Is the demand for labor the same as the demand for laborers?

2. Does lavish expenditure create a demand for labor? Do you create a demand for labor when you deposit $100 in a savings bank?

3. How does the destruction of capital affect the demand for labor? How does an increase in the amount of capital affect the demand for labor?

4. Why do laborers look with hostility upon the introduction of labor-saving machinery? What is the immediate effect of such machinery on the demand for labor? What is the ultimate effect? Why?

5. How has the introduction of the taxicab affected the demand for cab-drivers? the demand for labor? Why?

6. Are inefficient laborers greatly in demand? Why is there no demand for labor at the north pole?

7. Why do enterprisers, in times of industrial depression, dismiss their inefficient and low paid laborers first?

8. It is claimed that the same laborer, working eight hours a day, can produce more in this country than in England. Does this fact afford any explanation of the forces controlling the demand for labor? Why could a laborer produce more in this country?

9. How would the demand for labor be affected by a rise in the value of the money standard? Why?

10. "Demand for commodities is not a demand for labor." "The demand for labor is, in the last analysis, a demand for the products of labor." Are these statements antagonistic? Explain.

5. The Supply of Labor

1. Is the supply of labor the same as the supply of laborers?

2. Do you notice any similarity between the forces controlling the supply of labor and the supply of wheat?

3. A student writes as follows: "The services offered by a laborer are like strawberries on a Saturday night." What does he mean?

4. Do commodities go to the market where the highest price is offered? Do laborers find the best market for their services? Why?

5. Is the supply of labor affected by the cost of producing laborers? Why is the supply of factory workers invariably greater than the supply of factory managers?

6. Do those who have spent the most money in securing an education get the highest wages?

7. What is meant by the standard of living? If one has been reared in a family where the standard of living is high, has it cost a great deal to produce him? Is he likely to be an efficient workman?

8. What relation exists between population and the supply of labor?

9. Is there an economic check on the supply of labor? Is a high standard of living an economic check? How?

10. Would you expect the number of marriages to be larger in prosperous years than in years of adversity? Why?

11. From 1790 to 1890 the population of the United States doubled, on an average, once every twenty-five year. The population of Europe little more than doubled during the whole period. Why the increase? Why was there a more rapid increase in the United States than in Europe?

12. Which individual is likely to get married at an earlier age, a university graduate or a farm boy? Why? Which has the higher standard of living?

13. Why are there relatively more bachelors and spinsters among the well-to-do classes than among the poor? How do the families of rich parents compare in size with the families of the poor? How is the difference in size to be accounted for?

14. An investigation in Boston a few years ago showed that there were 13 births per 1000 inhabitants in the wards of the rich; from 28 to 36 per 1000 in the wards of the poor and 46 per 1000 in the ward where the newly arrived Italians live. Account for it.

15. Would you expect to find a higher birth rate in the country than in the city? Why?

16. Make a summary analysis of the effects of the standard of living on population and the supply of labor.

17. Show how wages may be affected by the present standard of living; by the standard of living prevailing in the last generation.

18. In 1912 over one million immigrants came to the United States. Is our supply of labor affected by immigration? Does immigration affect the supply of labor in Italy?

19. It has been contended that our population would have been no smaller than it is to-day if there had been no immigration. What is the reason for this point of view?

20. It is said that the American farmer has always had to contend with the labor problem. Farm laborers have been scarce. Why?

21. Why are the wages of cooks high in the United States? Why are there so few cooks in this country when there are so many who can cook? Why are there so many cooks in England who cook?

6. General Questions on Wages

1. Which theory of wages do you accept? Can the above theories be reconciled?

2. If "wages constitute the price paid for the services of labor," what determines that price?

3. Do laborers generally get all they are worth? Is it possible for laborers to unite, form a monopoly, and force wages up indefinitely?

4. Do wages form a part of the cost of production? If you were about to build a railroad, what considerations would govern you in deciding whether to hire Mexican labor at $1 a day or American labor at $1.50 a day?

5. Are wages high in the United States on account of the protective tariff? What is the real effect of the high tariff on wages?

6. Can laborers readily change from one occupation to another? How does the ability or lack of ability to change one's occupation affect one's wage?

7. How has the liberal land policy of the United States affected wages in this country? Has it affected the salaries of college professors? Why?

8. Do laborers in one occupation compete with laborers in other occupations? Does the street sweeper compete with the street-car conductor?

9. Show how the labor market may be separated into non-competiting groups by differences in wealth, social connection, education, and inborn differences.

10. Why do women frequently get lower wages than men for doing the same kind of work?

11. Would men get higher wages if their wives were forbidden by law to work in factories and stores for "pin money"?

12. Why are the wages of shop girls generally lower than the wages of laundry workers?

13. Why do farm laborers work for $30 a month when they could work by the day at $1.50?

14. Are wages necessarily high in hazardous occupations? in disagreeable occupations?

15. Why is it that "college professors are generally underpaid"? Do you think that college professors as a class who receive salaries of $2500 a year would resign their teaching positions if they were offered $3500 a year for selling Grape Nuts or Palmolive Soap?

16. In which of the following institutions would you expect to find the highest salaries for teachers of the same training and efficiency: Medical Schools; Law Schools; Engineering Schools; Colleges? Why?

17. How are wages affected by custom and heredity? Would you advocate industrial education for all laborers?

IV. Interest

1. Introduction
2. The Forbearance Theory of Interest
3. The Marginal Productivity Theory
4. The Demand for Capital
5. The Supply of Capital
6. General Questions on Interest

1. Introduction

1. Can any part of a carpenter's earnings be called interest?

2. A capitalist devotes all his time to looking after his investments, consisting of corporation stocks, bonds, and farm mortgages. The average rate of return is 6 per cent. Would you conclude that the average rate of interest is 6 per cent?

3. Is interest, as the business man uses the term, pure interest, or does it contain elements of wages, profits, and rent? Explain and illustrate.

4. Is interest a payment for the use of money?

5. Why was interest taking forbidden in the middle ages?

2. The Forbearance Theory of Interest

1. Can interest payment be justified on the grounds that the man who abstains from consumption and saves, does so at great sacrifice and should therefore be compensated for his abstinence?

2. Could the same argument be used effectively by one who has inherited great wealth and is living off the interest on his investments?

3. "Interest is the price of time." What does this statement mean?

4. Does the rate of interest measure for all classes the difference between the value of goods at the present time and the value of goods a year hence? What is meant by discounting the future?

5. It is said that the rate of interest will be just sufficient to compensate for the sacrifice made in saving the last unit of capital. In other words, the rate of interest will be determined by marginal waiting. What do you understand by this statement? Can you establish or refute it?

6. Does the forbearance theory explain why the rate of interest on first class security is high in Russia—where the people are for the most part improvident? Does it explain why the rate is low in Scotland?

7. Does the theory, as stated, explain why the rate of interest is low in old countries where a leisure class has developed?

8. Do you regard the forbearance theory as a justification of interest, an explanation of the rate, or merely an analysis of the supply of capital?

9. In terms of the forbearance theory why does the rate of interest rise as the value of gold falls?

10. Would some people save even though no interest payments were made? Does this fact invalidate the forbearance theory?

3. The Marginal Productivity Theory

1. If capital goods merely replaced themselves would there be any interest payments?

2. Does capital produce in the sense that land produces? Can capitalists get more for the use of their capital than their capital produces?

3. Is the first application of capital in any industry more productive than the last, assuming the applications to be equal in amount?

4. Formulate a marginal productivity theory of interest analogous to the marginal productivity theory of wages.

5. Assume that an isolated community depends solely on agriculture, and that from time to time new applications of capital have to be made to meet the demands of a growing population. What is the highest rate of interest that could be paid in this community in each of the four stages below?

Amount of capital applied, measured in wheat or its equivalent	Total yield over and above replacement	Amount contributed by last application of capital
First Stage 100 bushels	20 bushels	20 bushels
Second Stage 200 bushels	35 bushels	15 bushels
Third Stage 300 bushels	45 bushels	10 bushels
Fourth Stage 400 bushels	50 bushels	5 bushels

6. Would the rate of interest in the above illustration tend to equal the highest rate that could be paid? Why?

7. Do the capitalists in the fourth stage get the full value of their aggregate product? Who gets the remainder? Is such distribution justifiable?

8. Why, according to the above schedule, does the rate of interest fall? Why has the rate of interest in Kansas fallen?

9. Why is the rate of interest in the United States higher than the rate in England?

10. If interest and wages are the joint product of the last application of labor and capital, how is the joint product divided and assigned to laborers and capitalists?

11. How do you account for the fact that wages have risen in the United States while the rate of interest has fallen?

12. Do capital goods compete with laborers? Is one ever substituted for the other?

13. Does the marginal productivity theory explain why the rate of interest rises as the value of gold falls?

14. Does the marginal productivity theory of interest explain how the rate is determined, or is the theory merely a statement of the problem?

15. How would you explain the demand for capital in terms of marginal productivity?

4. The Demand for Capital

1. Why are enterprisers willing to pay interest for the use of capital in production? Why is there no demand for capital at the north pole?

2. How do you account for the enormous demand for capital in the automobile business? Why is there no corresponding demand for capital in the hoop-skirt business?

3. Would you expect the demand for capital to be large or small in a new and undeveloped country having rich natural resources? Why?

4. If there were a sudden increase in the number of laborers how would the demand for capital be affected?

5. Why is the demand for farm machinery much greater in the Mississippi valley than in the valley of the Volga river? If American farms were reduced to an average size of ten acres would there be an urgent demand for binders? Why?

6. Why is the demand for capital goods relatively smaller in Italy where wages are low, than in the United States where wages are high?

7. How has the American farmer dealt with the farm labor problem? How has the American housewife been relieved, in part, of the servant problem?

8. How do you account for the fact that English firms are ready purchasers of American cash registers, while English housewives frown upon the use of American electric irons and toasters?

9. Does the demand for capital depend upon its relative productivity? What do you mean by relative?

10. Does the demand for bank loans depend entirely on the demand for producers' goods? Why do people who borrow money to buy consumers' goods have to pay the same rate as if they were borrowing to buy producers' goods?

5. The Supply of Capital

1. If every one lived up to his income would the supply of capital be large?

2. Does the maintenance of the University by the state have any effect on the supply of capital in Kansas?

3. How will the supply of capital in the United States be affected by the European war? by the automobile craze?

4. "The supply of capital depends ultimately upon the supply of waiting." Explain this statement. Does it account for the scarcity of capital in western Kansas? for the abundance of capital in eastern Kansas?

5. Does the rate of interest have any effect on the supply of capital? Does a high rate cause people to save more?

6. A business man expects to retire from active service as soon as his investments will yield him $2000 a year. How will a high or low rate of interest affect his inclination to save?

7. Why is it that the railways of nearly all new countries have been financed, in large part, by English capitalists? Is there a large supply of capital in England? Why?

8. Does the supply of capital depend on the supply of money? Why is it that repeated clamors for more money in the United States have come from the frontier?

9. Would a larger supply of money lower the rate of interest? Explain.

10. How would an improvement in industrial methods affect the supply of capital?

6. General Questions on Interest

1. Do the above theories of interest have any relation to one another? Can they be reconciled?

2. "Interest is the price paid for the services of capital." What determines that price?

3. Does competition tend to eliminate differences in rates of interest among different firms engaged in the same branch of production? Why?

4. Why is it possible for municipalities to borrow capital at from 4 to 5 per cent when the farmer is obliged to pay an interest rate of 6 or 7 per cent? Is there any tendency for these rates to be equalized?

5. Why do interest rates vary from one section of the country to another? Why is the rate 10 per cent in western Kansas, 6 per cent in eastern Kansas, 5 per cent in New York, and 4 per cent in England on similar investments? Are these differences due to differences in risk?

6. Does capital readily flow from one section to another? from one industry to another? Why?

7. Where would you rather invest your savings of $1000, in your home town at 6 per cent, or on the Pacific coast at 8 per cent? Why?

8. Account for the fact that 90 per cent of the farm mortgage business in Kansas is conducted by foreign capitalists. What is done with local capital?

9. It is said that the rate of interest tends to fall with progress. How then can one account for the fact that the rate of interest was around 12 per cent in Athens, from 4 to 6 per cent in Rome, from 15 to 20 per cent during the early middle ages and about 2 per cent in Holland at the end of the eighteenth century? Do you think the rate will ever fall to 2 per cent in the United States? Why is the rate in Holland considerably higher than 2 per cent at the present time?

10. Try to establish the contention that the rate of interest will never fall below 2 per cent.

11. What is usury? Are usury laws desirable? Are they effective?

12. Suppose the state of Kansas were to pass a law making all interest above 5 per cent usury. Trace the effects of such a law. How could the law be evaded?

13. If all capital goods were owned collectively do you think the amount now paid to private individuals as interest would then be paid to laborers in the form of higher wages?

V. Profits

1. Introduction
2. Speculative Profits
3. General Questions on Profits

1. Introduction

1. What does the business man mean by profits?

2. "Profits are a surplus over and above the expenses of production." Accordingly does the groceryman make a profit of $3 when he buys 100 lbs. of sugar for $6 and sells it for $9?

3. If grocerymen are making a large surplus over and above the expenses of production, will they be subjected to competition? Will competition tend to wipe out their profits? Will they necessarily discontinue business?

4. If clothiers are making higher profits than jewellers, will there be more clothiers and fewer jewellers?

5. Do profits tend to fall to a minimum? Why? What is the effect of competition on profits in a given industry? on profits in all industries?

6. Do profits tend to equal the amount that an enterpriser could get as a salary working for another person? Would you call this element profits or wages?

7. Do wages of management vary with managerial efficiency? If a hired manager were employed to utilize the best proportions of land, labor and capital, would his salary depend upon his efficiency?

8. Are wages of management then the amount that an enterpriser could get as a salary working for another person? Do they constitute one of the expenses of production? Are they earned?

9. How do you account for the fact that the income of a business man is frequently far above his wages of management?

10. Make a list of those enterprises in which profits are merely wages of management.

11. Make a list of those enterprises in which profits are due to (a) successful risk taking; (b) monopoly; (c) good-will; (d) extortion from underpaid laborers; (e) dishonesty and graft.

2. Speculative Profits

(*a*) *The Nature of Business Risks*
(*b*) *The Function of Speculation*

(*a*) *The Nature of Business Risks*

1. Formerly goods were produced for a local market and the process of production extended over a relatively short period of time. Now, goods are produced for distant markets and the process of production may extend over a period of one year before the goods are ready to be sold. How has this change in the mode of production and marketing affected business risks?

2. What are some of the chief business risks which enterprisers have to assume?

3. A ranchman buys 1000 head of cattle to fatten for the market, expecting to recover the cost of their feed and the labor involved at the end of three months when the cattle are to be sold. What risks does he assume?

4. What particular class of business enterprises might be affected by each of the following: unstable monetary standard; discovery and invention; the weather; strikes; fluctuation in the price of a commodity like eggs, wheat, or cotton?

5. Are some men better able to assume the risks of industry than others merely because "they were born lucky"? Is it possible to assume risks wisely?

6. Would not successful risk takers command high salaries if employed for the express purpose of taking risks?

7. Is the enterpriser's function of risk taking clearly distinct from that of management? What is the difference between speculative profits and wages of management? Are speculative profits one of the expenses of production?

8. If the state owned and operated all industry would business risks disappear?

9. If there were no business risks to be taken would we make progress?

(*b*) *The Function of Speculation*

1. Which of the following are speculators: your clothier; farmers; bankers; contractors; gamblers; college professors; cold storage merchants; insurance companies; stock brokers?

2. Is every enterpriser a speculator? Does every enterpriser assume risks?

3. The following is a jobber's price list of standard pianos, showing the difference between wholesale and authorized retail prices:

Style	Wholesale Prices	Retail Prices
15	$ 95	$250
10	160	450
40	210	500
50 Player	275	600
79 Player	345	750

Do you think the piano retailer who buys and sells according to the above schedule makes a profit? May he lose? Does he assume any risks?

4. If a piano of the same quality and tone as style 15 could be purchased from Montgomery, Ward and Co. for $150, would the prospective piano buyer be justified in patronizing the Chicago firm? Should not Lawrence citizens spend their money at home? Should not Lawrence merchants do likewise?

5. If it is true that mail order houses can sell for less than local retailers how do you account for it?

6. For what reasons might you be induced to pay your local dealer $250 for a piano when a piano presumably as good could be purchased f. o. b. Chicago for $150? Does the local dealer render any service not rendered by the mail order house? Explain.

7. A cold storage merchant buys eggs in March at 15 cents a dozen and sells them in the following January at 35 cents. Has he rendered any services?

8. Before the advent of the cold storage merchant, eggs frequently sold for 8 cents a dozen in the spring, while in the winter months the price of eggs was so high that very few families could afford to have eggs for breakfast. Account for the extreme fluctuation in price. Has the cold storage of eggs reduced this fluctuation? Has the farmer been benefited?

9. Do cold storage merchants always make a profit? Why?

10. Why should not the farmer store his eggs until winter when prices are high? Why should not the consumer buy eggs in the spring and preserve them until fall?

11. If all farmers sold their wheat directly to consumers how would the August price of wheat compare with the February price? Why?

12. What is meant by dealing in futures? Do professional wheat speculators benefit farmers or consumers in any way when they buy and sell contracts for the future delivery of wheat which may not be in existence?

13. Farmers as a class object to organized speculation in farm products on the ground that such speculation depresses prices. Do you think their contention is valid?

14. Knowing that the price of corn generally advances during the first six months of the year, a farmer decides, on December 1st., when the price of corn is 53 cents a bushel, to hold 1000 bushels for the natural rise in value. On July 1st. of the following year the corn is sold at 60 cents a bushel. Allowing for a shrinkage of 7½ per cent in that time, has the farmer gained or lost on the transaction? Might he have been a heavy loser? How could he have shifted the risk?

15. Knowing that the price of potatoes generally advances during the winter months a fraternity in Lawrence recently purchased a fall and winter supply of potatoes before the price had begun to rise. The subsequent rise in price was just sufficient to cover a shrinkage of 10 per cent in the potatoes. Was there a loss or a gain on the transaction?

16. A miller buys 10,000 bushels of wheat in February at $1 a bushel. He hopes to have the wheat converted into flour ready for sale by June 1st. On the latter date the price of wheat has fallen to 80 cents and the price of flour has fallen proportionately. How could the miller have avoided the loss on his flour?

17. When a railroad corporation has a large issue of bonds to be sold, it usually turns over its issue to a strong banking house which underwrites the issue, i. e. guarantees for a consideration to sell the bonds at a certain price for the corporation. Is this method of selling bonds of any advantage to the corporation? How can the underwriter afford to take such risks?

18. Suppose your savings were invested in your home, a frame structure liable to be destroyed by fire. Could you afford to carry the risk yourself or would you hire a specialist to assume the risk? Would the specialist be a speculator? Why are most of these specialists corporations? How can they afford to assume such risks?

19. An English lord, about to marry an American heiress, pays the firm of Lloyds $10,000 for a written guarantee that the firm will pay him $100,000 in case his bride-elect decides before the date of the wedding not to marry him. Would you regard this as a speculative venture? Is such speculation advantageous to society?

20. Speculators are often regarded as mere gamblers. Is there any clear distinction between speculation and gambling? Is there any difference in function?

21. It is said that the odds are always against the gambler—he runs the risk of losing more than he can possibly gain. Explain this statement.

22. Who is more likely to make profits, the wheat speculator who is taking a "flier," or the one who has a correspondent in every wheat producing section of the world whose duty it is to send in accurate reports from time to time concerning the prospects of the local wheat crop?

23. Speculation is said to be of social advantage because the speculator anticipates the needs of the future. Do you agree? What good is accomplished by anticipating the needs of the future? Are speculators conscious of the fact that they are rendering service to society?

24. Assume that there is a shortage in the supply of wheat. Would a rise in the price of wheat be of any social advantage? Why? Are the producers of wheat in any position to know when there is a world shortage?

25. If an attempt were made to abolish organized speculation on the ground that it is mere gambling, would industry be carried on as it is at the present time? Would speculation cease?

26. On the whole do you think speculation is desirable? What is the function of speculation? Are speculative profits earned?

3. General Questions on Profit

1. Why did the American farmer, who raised wheat in 1914, make unusually large profits? Were his profits due to foresight? Were they earned?

2. The British merchant who has on hand a large stock of crepe when the King of England dies generally makes large profits. Are his profits earned?

3. Do you think that chance gains are largely offset by chance losses? Do chance gains constitute an important part of the enterpriser's income?

4. Are enterprisers frequently in a position to take advantage of ignorant laborers? Do they earn the profits which they make by underpaying their laborers?

5. How does the existence of a monopoly contribute to the enterpriser's profits? Are monopoly profits usually larger than competitive profits? Are they more permanent? Are they earned? How can they be concealed?

6. One of the greatest assets of the manufacturers of Ivory Soap is the advertisement "It Floats." Why?

7. Why is it that certain Lawrence merchants retain the exclusive patronage of University students from year to year? Why do students pay these merchants high prices for goods which could be purchased elsewhere at a considerable reduction?

8. What is meant by "good-will"? Are profits arising on account of good-will earned?

9. Do you think that a large element of business profit is due to graft? In the long run can profits be made without rendering service? Do the profits of a business man measure fairly well his service to society?

10. Are competitive profits an important factor in promoting economic progress?

11. "Profits are a species of the same genus as rent." Explain this statement. Would not a justification of profits be also a justification of rent?

12. Would you expect an enterpriser who is making large profits to charge high prices for his products? Why?

13. Are business profits determined by supply and demand? Do enterprisers' profits tend to equal that share of the total product which they have contributed?

14. Summarize your analysis of profits showing the extent to which profits are earned or unearned.

VI. Distribution and Inequality

1. What is the social dividend? Does it represent all the wealth that is divided? How is it divided?

2. "Each factor in production has assigned to it a share in distribution corresponding to what it produces." "Each factor in production tends to get what its services are worth." With which statement do you agree?

3. How do you account for the fact that some of the richest people in the United States have never done a day's labor? Under these conditions why try to formulate laws of distribution?

4. Do you think the present system of distribution is just? What do you mean by just?

5. Which of the following ideals conforms to your sense of justice in distribution: (a) special privileges for persons of special ability or rank; (b) equal division of all goods; (c) to everyone according to his labor service to society; (d) to everyone according to the value of his services?

6. Which in your opinion is more desirable, equality of wealth and income or equality of opportunity? Would equality of opportunity mean equality of wealth and income?

7. It has been estimated that one-third of the land in the United Kingdom is owned by 1000 individuals. Account for the inequality in the ownership of land. Does such inequality give rise to inequality of income? How does it affect opportunity?

8. According to the tax statistics in Prussia for 1908, 90 per cent of the taxable persons had annual incomes of 3000 marks or less. About 5 per cent of the Prussian families had incomes over 3000 marks. If there were equality of opportunity in Prussia would the distribution of income be so unequal?

9. Are the rich getting richer and the poor poorer?

10. What are the causes of inequality of wealth and income?

11. If all men were born with equal faculties would there be equal distribution?

12. Would there be equal distribution if all individuals had the same training and environment? Would there be equality of opportunity? How does free education affect (a) equality of opportunity? (b) the distribution of wealth and income?

13. If an inheritance tax of 50 per cent were imposed on large fortunes would there be more equal distribution? How would such a tax affect opportunity? Do you see any justification for such a tax?

14. If it is granted that property rights should be limited after one is dead, does it follow that some limitation should be placed on property rights during one's lifetime? Would it promote greater diffusion?

15. How much can one man acquire honestly? Having acquired $100,000 honestly, and invested the sum in land or buildings etc., should the owner be allowed to live off the rental or interest from his investment?

16. Enumerate all the forces you know of making for greater equality in the distribution of wealth and income.

F. INDUSTRIAL ORGANIZATION

(problems of labor and capital growing out of production and distribution)

I. **The Problem of Labor**
II. **The Problem of Monopoly**
III. **Socialism**

I. The Problem of Labor

1. Trade Unionism
2. Profit Sharing and Cooperation
3. State Intervention

1. Trade Unionism

(*a*) *Trade Union Organization*
(*b*) *Trade Union Policies and Practices*
(*c*) *Plans for Avoiding Strikes*

1. Distinguish clearly between trade unions, industrial unions, and labor unions.

2. What is a local union? a national or international union? What are the general relations between the local and the national union?

3. Describe the internal organization of a union. What are the principal union officers? What duties devolve upon these officers?

4. What is the American Federation of Labor? What is the reason for its existence? What is its relation to local and national unions?

5. Were any assumptions made in discussing the theories of wages which need material qualification?

6. If wages depend upon supply and demand, what is the reason for the existence of trade unions?

7. The laborer is said to be at a disadvantage in bargaining with the employer. Why?

8. What is collective bargaining? Does collective bargaining enable laborers to secure higher wages than they are worth?

9. Were the first unions formed for the purpose of collective bargaining, or were they actuated by the desire to create a monopoly of their services?

10. Are present day unions monopolistic in character? What methods are employed by unions for the purpose of controlling the supply of labor?

11. What is the practice of unions in regard to the admission of members? in regard to apprenticeship? Why in each case?

12. Why do most unions attempt to enforce the "closed-shop"? Is the closed-shop policy justifiable so long as the union is open?

13. Would you expect to find the closed-shop policy rigidly enforced in a union composed of skilled laborers? Why?

14. Unions attempt to regulate wages and hours of employment by establishing a minimum wage for each kind of work and a maximum number of hours that a laborer may work. Why in each case?

15. If you were employed to perform a certain piece of work would you consider it advisable to make the job last? Why do unions attempt to limit and control the speed and output of workers?

16. "Eight hours to work, eight hours to play, eight hours to sleep and eight shillings a day." Are these demands unreasonable? Will decreasing the hours increase the pay?

17. If shorter hours cause higher wages how do you account for it? How would the laborer account for it?

18. On what grounds do labor organizations resent the introduction of machinery and improved processes? How far is their contention justifiable?

19. Do you know of any legislation favorable to laborers which labor organizations have been instrumental in securing?

20. Do labor organizations perform any educational function? Do they encourage their members to provide for the future? How?

21. What is a strike? Is a strike legal? Is it justifiable?

22. Were strikes a common occurrence before the Industrial Revolution? Why?

23. Can laborers by combining to stop work compel the employer to pay higher wages? Do you think the strike may be used as an effective weapon for securing higher wages, shorter hours and better conditions of employment?

24. In a recent barbers' strike in Kansas City a number of barbers were arrested on the charge of vagrancy. What strike duty were they performing?

25. What is a boycott? What is the origin of the word? May the boycott be used effectively in connection with strikes? Is a boycott legal?

26. What is a fair list? an unfair list? a black list? a white list? How and by whom are each of these "lists" used?

27. What methods do employers' associations use in fighting unions? When all employers have been formed into associations to deal with the unions, will the position of the individual laborer be any better than it was before the days of collective bargaining?

28. Have employers any weapon corresponding to the strike? Can it be used effectively?

29. What is a sympathetic strike?

30. The modern strike is said to be on a business-like basis. What is the meaning of this statement? Is the strike likely to be used as a weapon by organized labor when business conditions are dull? Would you advocate organization among laborers as an antidote to strikes?

31. Who are the Industrial Workers of the World?

32. What is a trade agreement? How effective are trade agreements in preventing strikes?

33. What plans have been proposed for avoiding strikes? To what extent have these plans been put into operation? Point out the merits and demerits of each plan.

34. What is an injunction? How effective is the use of the injunction in suppressing strike violence? Why do labor leaders advocate a change in the use of the injunction?

35. Do you think it would be well to have a law in this country as in New Zealand providing for the compulsory arbitration of trade disputes? Or, would it be sufficient to have a government commission to investigate cases where strikes and lockouts are threatened, with a view to making a strong public opinion remedial? What cases would such a commission investigate?

36. On the whole what is your attitude toward the methods and policies of labor organizations? How, in your opinion, will the issue between capital and labor be solved?

2. Profit Sharing and Cooperation

1. What is profit sharing? Describe the different kinds of profit sharing. Point out the advantages and disadvantages of each kind.

2. Does profit sharing attempt to provide a remedy for industrial disputes? For what reasons and at what particular time have profit sharing schemes been tried?

3. Do you think that the distributive process would be materially affected if profit sharing were in general use? Would the productive process be affected in any way?

4. Why are labor leaders as a rule opposed to profit sharing? Does profit sharing tend to increase the efficiency of laborers? Does it tend to lower the wages of any class?

5. How does gain sharing differ from profit sharing? What are the advantages of gain sharing?

6. Do you think profit sharing will ever become general in the United States? Why has profit sharing generally proved unsuccessful in the past?

7. Profit sharing seems to have had more success in France than in England, and more success in England than in the United States. Account for it.

8. What is meant by consumers' cooperation? How does it differ from profit sharing?

9. Who were the "Rochdale pioneers"? Describe the form of business organization which they developed.

10. What are the essential differences between the cooperative and the corporate form of business organization?

11. How do you account for the phenomenal growth of consumers' cooperation in the United Kingdom?

12. Prices are high. Would it be well for laborers in Lawrence to form a cooperative grocery store, hire a manager to look after their interests and secure for themselves the groceryman's profits? What factors would make for the success or failure of such a scheme? What has usually happened to such schemes in Kansas? Why?

13. Assume that five middlemen are employed in bringing farm products to the consumer's door, with the result that the price received by the farmer is one-half the price paid by the consumer. Would it be well for farmers to unite, form cooperative marketing associations and save for themselves a large share of the middlemen's "profits"? Would it be well for consumers to form similar associations which would in turn deal with the farmers' organizations? Would the plan appeal to the average American housewife? Why?

14. Why not form a cooperative bookstore at the University? Work out a detailed plan for the successful inauguration of such a store. Where would you locate it? Who would manage it? Who would be the stockholders?

15. Would you expect consumers' cooperation to succeed where credit is freely granted? where population is unsettled? where consumers are wealthy? where different classes are represented? where the business operations cover a large territory? where there is need of business foresight and management? Why in each case?

16. Do you think consumers' cooperation will ever be general in the United States? Will it ever have any material effect on the productive and distributive processes so far as the laborers are concerned?

17. Would it be possible for laborers to unite, make small contributions to a common fund, build a factory for making shoes, choose a manager, and eliminate the enterpriser and secure for themselves his profits? If it were possible to organize industry along these lines would not the labor problem become of little importance?

18. What is producers' cooperation? How do the principles involved in producers' cooperation differ from the principles of consumers' cooperation?

19. A number of dairymen form a cooperative creamery. Should the members have only one vote each or should they have as many individual votes as they have cows?

20. Do you think producers' cooperation will ever become general among laborers in the United States? Why has producers' cooperation among laborers failed to accomplish anything of importance?

21. "The lines of business in which productive cooperation is most successful are those of comparatively simple character, where industry counts for most and management for least." Explain this statement and point out the inherent defects in producers' cooperation.

22. Where, in your opinion, is the greatest field for cooperation: among consumers, wage earners, or farmers? What kind of cooperation is most suitable to each class?

23. What is industrial democracy? From your present knowledge of trade unionism, profit sharing and cooperation, which would you regard as the most consistent method of securing industrial democracy?

3. State Intervention

(*a*) *Legal Regulation of Labor*

(*b*) *Social Insurance*

(*a*) *Legal Regulation of Labor*

1. Does a protective tariff protect labor?

2. Should the state follow the *laissez-faire* policy where laborers are concerned or should it protect them? Should it offer greater protection to some laborers than to others? Why?

3. On what grounds, if any, should the state attempt to secure for laborers higher wages, shorter hours and better conditions of employment? Is not that office already performed by trade unions?

4. What constitutional obstacles have protective labor laws encountered in this country?

5. How do American laws regarding the labor of women compare with the laws of the more progressive nations of Europe?

6. Would you advocate a legal eight hour day? What arguments can be advanced for and against state regulation of the hours of employment?

7. What is the sweating system? Why does it exist? What are its evils?

8. Would it be good policy for the state to impose restrictions on immigration on the ground that immigrants send their savings home and thereby take wealth out of the country? For what reasons would you advocate further restrictions on immigration?

9. Would it be wise for the states to pass laws compelling employers to pay at least a minimum or living wage? Would such laws have any effect on the sweating evil?

10. Suppose the state of Kansas passed a law compelling the owners of department stores, five and ten-cent stores etc., to pay all women employees at least $8 a week. What might be the effect of such a law?

11. If minimum wage laws are to become the fashion, should they be made to apply to women alone or to men as well? Should the minimum be different in different occupations? in different localities?

12. What plans have been proposed or tried for the purpose of improving the conditions of employment in sweat shops, factories, and stores?

13. Do you regard the activity of the state in the matter of protective labor legislation as an unwarranted infringement on personal rights? Would you if you were an employer?

14. On the whole has sufficient progress been made by the American states in the field of labor legislation? What serious obstacles stand in the way of uniform labor laws?

15. What is the attitude of your political party on the matter of labor legislation? on legislation which protects the employer?

(*b*) *Social Insurance*

1. Should it be the policy of the state to help those who are willing to help themselves? What should be the attitude of the state toward those who are unwilling to help themselves?

2. What is social insurance? Can it be justified?

3. A laborer through no fault of his own is injured, thrown out of employment, and perhaps loses his productive capacity. Should society care for him and his family? Could the accident have been anticipated by society?

4. Have employers in the United States been liable to laborers for industrial accidents? Explain.

5. What measures have been taken in England and Germany to compensate laborers for injuries which they receive through no fault of their own? Do you think some such plan is needed in this country?

6. Should the state compel laborers to insure against illness, invalidity, and old age? Should all laborers be compelled to insure?

7. If compulsory insurance against illness became prevalent in this country, would it cause an undue amount of illness among laborers? What precautions have to be taken by the state in administering such insurance schemes?

8. When the taxicab displaced the horse cab the cabdrivers in London were without visible means of support and soon became unemployable. Could this misfortune have been anticipated? What good would have been accomplished by anticipating it?

9. Do you think it is a proper function of the state to maintain employment bureaus for laborers? to find jobs for the unemployable?

10. In view of the recent industrial depression with its resulting unemployment and distress, would it be wise to have a law in this country compelling employers to insure their employees against unemployment, so that when laborers are out of work through no fault of their own they would still be able to provide the bare necessities of life?

11. Would it be unjust in any scheme of social insurance to require employers to pay the insurance premium for employees? Why? Would it be effective from an administrative point of view?

12. What, in your opinion, will be the logical consequence of the activity of modern states in protecting laborers against their employers and against themselves? Will the extension of these activities call forth a new industrial organization?

13. What part should charity play in the program of state aid?

II. The Problem of Monopoly

1. Introduction
2. The Municipal Monopoly Problem
3. The Railroad Problem
4. The Trust Problem

1. Introduction

1. Can any valid objection be raised against the existence of a monopoly so long as the monopolist's price is not excessive? Why?

2. How do you account for the rapid growth of monopoly in the United States? Are the fundamental reasons economic, political or ethical?

3. Could you justify monopoly profits on the ground that they have been a great factor in promoting enterprise?

4. Is there any need to worry about monopolistic tendencies in the United States? Why not let the problem be solved through potential competition and the consumer's power of substitution?

5. Can competition be relied upon in all cases to regulate quality, quantity and price? Explain by illustration.

6. Under what circumstances is competition the life of trade? the death of trade?

7. Should the state under any conditions grant special favors to individuals? Should an inventor have the exclusive right to manufacture and sell his invention?

8. Should the state grant special favors to itself? For what reason does the state have a monopoly on the transmission of mail? Why not leave the postal business to private enterprise? Would not private enterprise cause greater efficiency?

9. If government ownership and operation of the post-office is desirable, why is it not equally desirable for the state to own the telegraph, telephone, express, tobacco, and whisky businesses?

10. What should be the policy of the state toward private monopolies? Should the state let them alone, destroy them, regulate them, or own them? Try to formulate the conditions under which each plan might be advantageous.

11. Would you accept the doctrine that so long as state control is effective, ownership is unnecessary and undesirable? Would not effective regulation impede progress?

12. If monopoly results in greater efficiency should it be destroyed?

13. Make a classification of monopolies in the United States.

2. The Municipal Monopoly Problem

1. Would you regard the business of supplying each house in Lawrence with water as a natural monopoly? Why?

2. Would it be economical, socially or otherwise, to have two gas companies or two electric light companies supplying consumers in the same city? Would the resulting competition insure service both in quality and in quantity?

3. If there were two street-railway companies operating in Lawrence, one on Massachusetts Street, the other on Tennessee Street, would they compete with one another? Would they combine? Why?

4. What was the earlier policy of American cities in granting franchises to street-railway companies? Was their policy wise?

5. What municipal industries are subject to the law of decreasing expense? Do you think that monopoly is the "natural, inevitable, and economically desirable form of organization" for these industries? Why?

6. Is the telephone business in American cities subject to the law of decreasing expense? From the point of view of expense would you advocate competition in the telephone business? For what reasons would you advocate monopoly instead?

7. What evils are commonly attributed to privately owned municipal monopolies?

8. What are the arguments for and against public ownership of municipal monopolies?

9. What conceivable advantages might result from public regulation which could not be obtained by public ownership? What method of regulating municipal monopolies would you advocate? Why?

10. What advantages are possible from municipal ownership that cannot be secured from private ownership under municipal regulation?

11. Do you see any reason why municipalities might, with advantage, undertake in the future to establish municipal markets, selling coal, food and other necessities to consumers at cost? Is there any justification for such activities at present? What factors would make for the success or failure of such enterprises?

12. Formulate the conditions under which competition in local enterprises should be depended upon to secure quality of service. How may those conditions change?

3. The Railroad Problem

(*a*) *The Development of Railroads*
(*b*) *Characteristics of the Railroad Industry*
(*c*) *Railroad Practices and Rates*
(*d*) *Railroad Regulation*

1. Is the railroad problem the only problem of transportation?

2. If it costs only 5 cents to transport a pair of $5 shoes from the manufacturer to the consumer why should one worry about the transportation problem?

3. In 1830 there were only 23 miles of railroad in the United States; in 1914 the mileage was about a quarter of a million—more than one third the total railroad mileage in the world. How do you account for this marvelous development of railroads?

4. In Europe railroads were built to accommodate existing traffic. Were American roads built for the same purpose?

5. The average cost of railroads per mile in the United States, according to conditions obtaining in 1911, was about $60,000. In England the average cost was approximately $265,000. Account for the difference in cost. How has the difference in cost affected freight rates in the two countries?

6. How has railroad development in the United States been affected by rivers, climatic conditions, mountains and sea ports?

7. In Europe it was realized from the outset that one railroad between two points could in most cases perform as efficient service as two or three. Why then was the competitive method of building railroads adopted in the United States?

8. Why has there been so much consolidation among American railroads? Has consolidation benefited the railroads in any greater degree than the public?

9. The railroad business "tends inevitably to become a monopoly." Why?

10. If a roadbed has been constructed and trains are in operation, will the rails be torn up and the track removed if business becomes unprofitable? What is the significance of your answer?

11. What is the relation of constant to variable expenses in railroad transportation? Is this relation of any significance in trying to explain why the railroad business is essentially monopolistic in character? why it costs two cents per mile to travel by rail and 25 cents to ride four blocks in a taxi?

12. Are railroad rates determined by supply and demand? Why?

13. Since the railroad business is affected with a public interest should not the rates on freight correspond to the cost of service?

14. Assuming that a freight train is scheduled to run between Kansas City and Lawrence every day, what added expense would be incurred by the railroad in transporting a man in one of the box-cars?

15. Explain what is meant by the expression "charging what the traffic will bear."

16. Why are freight rates higher on cameras and sewing machines than on potatoes and corn?

17. Why is it necessary to make classifications of commodities and apply a separate rate to each class?

18. There are now four chief classifications in the United States—the official, the Southern, the Western, and the Transcontinental. Why should there be different classifications in different sections of the country?

19. In actual practice, what has distance to do with rate-making?

20. What effect did the competitive struggle after 1870 have on railroad practices and rates?

21. Describe the "pooling" practices of railroads. What was the effect of pooling agreements on rates at competitive points? at local points?

22. What is meant by discrimination in rate-making? Is it right for a railroad to discriminate? Can all discrimination in rate-making be avoided? Why?

23. What objectionable forms of discrimination have railroads adopted in the past?

24. What is meant by "charging more for the short haul than for the long haul?" Is such a charge always without justification?

25. Retailers who purchase goods in large quantities generally secure a reduction in the price per unit. Is it not equally fair for a railroad to grant special rates to customers who turn over to it a large volume of business every year?

26. What right has the state to specify the rate that shall be charged by a railroad corporation for its services? Why not regulate prices in grocery stores?

27. Suppose a grocer desired to erect a store on the corner of your lot and sell groceries, could you refuse to sell? Suppose a railroad corporation decided to put its tracks across the same corner, what redress would you have?

28. Do the profits enjoyed by railroads have any unjust effect on the distributive process? Are they earned?

29. If the control of railroads is the only course to be followed, would you suggest that the control be exercised by the state or the federal government? Why?

30. Trace the history of federal railroad regulation in the United States. On the whole do you think control has been satisfactory?

31. What arguments can be advanced for and against the national ownership and operation of railroads?

4. The Trust Problem

(*a*) *The Trust Movement in the United States*
(*b*) *The Promotion and Organization of a Trust*
(*c*) *Evil Practices of the Trusts*
(*d*) *Regulation of the Trusts*

1. What is a trust? Were there any trusts before the Industrial Revolution? Why?

2. From 1873 to 1896 prices were steadily falling. What effect did this have on the combination movement?

3. Is competition wasteful? Is not competition the life of trade? What is the difference, in effect, between competition in the retail trade and competition in those enterprises having a large investment of fixed capital?

4. From 1870 to 1880 the dominant form of trust organization was the pool. Describe the pool.

5. Under the present competitive system fourteen different milk wagons are required to supply Tennessee Street residents with milk. Do you regard this duplication of effort as wasteful? Could it be overcome through pooling agreements?

6. Until recently the half-filled delivery wagons of the various grocerymen in Lawrence traversed the same streets two or three times a day, when half the number of wagons, with proper organization, could have made deliveries twice a day all over the city. How has the waste been overcome? Who gets the benefit?

7. Why was the pool in the majority of cases unsatisfactory?

8. From 1880 to 1890 combinations were effected under trustee control. Explain this form of trust. What advantage did it have not common to the pool?

9. What was the Sherman Anti-Trust Law of 1890? What effect did it have on the popularity of the trustee form?

10. From 1890 to the present time the dominant form of trust has been the holding corporation—a corporation formed usually for the express purpose of exchanging its stocks for the stocks of competing corporations. Explain how centralization of control could be effected in this manner.

11. What advantages did this form of trust have over the preceding forms? What was the role played by New Jersey in the formation of such trusts?

12. Why has the formation of holding companies been materially checked in recent years?

18. In so far as the trust movement was due to the economies of large-scale production and the elimination of competitive waste, can you offer any valid objection to the existence of trusts?

14. It was once said that "the protective tariff is the mother of trusts." Does this statement throw any light on the causes of the trust movement? Did not the tariff call forth new industries? Did they not compete with one another?

15. Do you think that the combination movement will go on? Should reasonable cooperation be permitted or should we proceed on the old notion that competition is the life of trade?

16. Who is the promoter? What is his function?

17. Explain the process by which it would be possible to bring together into one combination the fourteen dairies around Lawrence.

18. Assume that there are six competing oil refineries in the United States, each worth $1,000,000. How would you proceed to combine these firms under the control of a New Jersey corporation? What considerations would govern you in deciding upon the capitalization of your corporation? How much common stock and preferred stock would be issued? How would you, as promoter, secure your profit?

19. Who is the underwriter? What part does he play in the flotation of a large issue of corporation stocks and bonds?

20. Why does one hear so much complaint about the excessive capitalization of the trusts? Is there anything objectionable or dishonest in selling one's business for more than has been put into it?

21. Should the capitalization of a railroad or industrial corporation be based on present earning capacity, original cost of production, cost of reproduction, or on the amount of capital invested?

22. Are all trusts monopolies? Are all monopolies trusts? What do you think of the contention that trusts charge excessive prices for their products? In what respects have prices under trust domination been different from competitive prices?

23. It is claimed that the trusts have had a corrupting influence on political life. Do you know of any measures which have been taken to stop this evil?

24. What are unfair methods of competition? Can you justify shadowy business transactions on the ground that "that's business"?

25. Is it fair for one concern to cut prices in a community where there is severe competition and to recoup its loss by raising its prices at non-competitive points?

26. Is it fair for a corporation to allow a discount to the retailers of its products who agree not to sell the goods of any other manufacturer?

27. It is said that the Standard Oil Company could never have existed as a world-wide monopoly had it not received railroad rebates which enabled it from the very beginning to undersell its competitors. If unfair practices were prevented do you think trusts would continue to be formed? Have unfair practices been both a cause and a result of trusts?

28. What, in your opinion, should be done with trusts already existing? Should efficient trusts be dissolved?

29. What has been the past policy of the state and federal governments towards trusts? What has been accomplished?

30. How is it possible for the federal government to adopt a wise policy towards trusts so long as industrial corporations get their charters from the states?

31. What steps have been taken recently by the federal government to regulate the conduct of trusts? Do you think federal control will be remedial? Will the control of trusts be as simple a matter as the control of railroads?

32. If it is found that trust prices are excessive, would it be advisable for a federal trade commission to stipulate what prices are to be regarded as just and reasonable and to refuse to allow higher prices to be charged? What difficulties would confront a commission in fixing the prices of trust products?

III. Socialism

1. The Meaning of Socialism
2. The Socialist Philosophy
3. The Socialist Movement

1. Distinguish between socialism, anarchism, and communism.

2. Would there be any form of private property in a socialist regime? Could one have a grocery store? an acre of land? a home? an automobile? food? a horse and cow? a bank account?

3. Does socialism mean "a red flag and a reign of terror"? Would there not be equal division of wealth under socialism?

4. What adverse criticism can be made of our present productive process?

5. Under a socialist regime would there be breweries? tobacconists? publicity men? fourteen milk wagons in Lawrence? three state universities in Kansas?

6. If there were less duplication and waste in the productive process, would laborers be obliged to work such long hours?

7. What changes would socialism effect in the distributive process? Which of the following kinds of income would be regarded as legitimate: rent; interest; wages; profits? Explain. Would there be any private income on account of monopoly, inheritance, gift, graft, extortion, theft, etc.?

8. What, according to Karl Marx, is the effect of the system of capitalistic production on wage earners? Explain the doctrine of "surplus value."

9. Is there a growing concentration of capital in the United States to-day? Is there a class struggle? If socialism is to be the remedy for all the ills of the capitalistic system, will the transformation to the "cooperative commonwealth" be brought about by revolutionary or by evolutionary methods?

10. Would the wages of laborers in a socialist state be based on need, sacrifice or efficiency?

11. If one could get only wages would there be greater equality in distribution? greater equality in opportunity?

12. Do you think it would be possible to regulate family life and the education of children in such a way that differences in ability due to differences in environment would tend to disappear? Would wages tend to equality?

13. If the economic condition of laborers were improved under socialism would not population increase until their condition was no better than it is at present?

14. Why is organized religion generally opposed to socialism?

15. If it were impossible for men to amass large fortunes would they not be better men? If the incentive to make money were removed would not men have the stronger incentive to render public service and thereby gain public approval?

16. Make a list of the administrative difficulties which a socialist state would encounter.

17. If socialism were given a practical trial would people have any incentive to save? What could they do with their savings? Would the state compel them to save? Would socialism mean less progress and more poverty?

18. It is claimed that the ideals of socialists cannot be realized until the millenium at which time society can get along without any radical changes. Do you infer from this that the ideals of socialists are to be dealt with lightly?

19. Would you contemptuously dismiss a proposal on the ground that "it is socialistic"?

20. What considerations would cause you to vote for a socialist mayor or President?

21. How do you account for the growing strength of the socialist party? What forces are making for socialism in this country? What forces are militating against socialism?

22. Do you think socialism offers any sound remedy for the problems of labor and capital? Are we becoming more and more socialistic?

23. In your opinion, will the state continue to interfere with labor and capital, promoting the welfare of laborers and curtailing property rights, until we have virtually evolved to a socialist regime? Or, will a compromise be effected in the meantime materially different from the socialists' proposals?

24. What immediate changes in our industrial organization would you advocate with a view to promoting (a) the welfare of the masses? (b) the welfare of the idle rich?

25. Do you think economics will one day become the science of human welfare?

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